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TTAB

December 15, 2009

By USPS Express Mail
Commissioner for Trademarks,
P.O. Box 1451,
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Ken Wilton, Esq.
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Los Angeles, CA 90067-3021

78026522

Re: Gado S. R.L. v. Jay-Y Enterprise Co., Inc.;
Cancellation No. 92047433

To Whom It May Concern:

Enclosed, please find a transcript for the deposition testimony of Louis Zollo (with accompanying exhibits), submitted by Petitioner for filing in the above-captioned cancellation. The transcript is certified and executed by the witness.

Please note that the exhibits have been redacted according to the protective order entered in the case. The enclosed is suitable for public filing.

Un-redacted versions of the exhibits are being filed under separate cover according to the Board's practices.

Very truly yours,



Robert Carrillo
Satterlee Stephens Burke & Burke LLP



12-15-2009

U.S. Patent & Trademark Office

CERTIFICATE OF "EXPRESS MAIL" SERVICE

I hereby certify, under penalty of perjury, that this DEPOSITION TRANSCRIPT OF LOUIS ZOLLO, WITH ACCOMPANYING EXHIBITS (redacted), is being deposited directly with the United States Postal Service (by delivering it to a USPS employee), on December 15, 2009, for Express Mail Overnight Service to Addressee, with sufficient postage paid at the time of deposit, as set forth in 37 C.F.R. § 2.198, in a small package addressed to the address set forth in 37 C.F.R. § 2.190:

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I further certify, under penalty of perjury, that this DEPOSITION TRANSCRIPT OF LOUIS ZOLLO, WITH ACCOMPANYING EXHIBITS (redacted), was also served on this 15th day of December 2009, by USPS Express Mail, addressed to:

KENNETH WILTON ESQ.
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Robert C. Carrillo
[Signature]

Robert C. Carrillo

COPY

1

1
2 IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
3 BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

4 GADO S.R.L., -----X

5 Petitioner,

6 v.

Cancellation No. 92047433

7 JAY-Y ENTERPRISES CO., INC.,

8 Respondent.
-----X

9
10 November 16, 2009
11 12:02 p.m.
12
13

14 Testimonial Deposition of
15 GADO S.R.L., by LOUIS ZOLLO, held at the offices
16 of Seyfarth Shaw, LLP, 620 Eighth Avenue,
17 New York, New York, before Nicole Cannistraci, a
18 Notary Public within and for the State of
19 New York.
20
21
22
23
24
25

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1
2 A p p e a r a n c e s:

3 SATTERLEE STEPHENS BURKE & BURKE LLP
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5 230 Park Avenue
6 New York, New York 10169
7 BY: MARK LERNER, ESQ.

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10 2029 Century Park East, Suite 3500
11 Los Angeles, California 90067-3021
12 BY: KENNETH L. WILTON, ESQ.
13 (By video conference)

1
2
3 IT IS HEREBY STIPULATED AND
4 AGREED, by and between the attorneys for the
5 respective parties hereto, that the sealing
6 and filing of the within deposition be
7 waived; that such deposition may be signed
8 and sworn to before any officer authorized to
9 administer an oath with the same force and
10 effect as if signed and sworn to before a
11 Justice of this Court.
12
13

14 IT IS FURTHER STIPULATED AND AGREED
15 that all objections, except as to form, are
16 reserved to the time of trial.
17
18

19 IT IS FURTHER STIPULATED AND AGREED
20 that the within examination and any
21 corrections thereto may be signed before any
22 Notary Public with the same force and effect
23 as if signed and sworn to before this Court.
24
25

1 Louis Zollo

2 L O U I S Z O L L O, having been first duly
3 sworn by Nicole Cannistraci, a Notary Public of
4 the State of New York, was examined and testified
5 as follows:

6 EXAMINATION

7 BY MR. LERNER:

8 Q. Good morning. As you know, my
9 name is Mark Lerner. I'm an attorney with
10 Satterlee Stephens and we represent the
11 Petitioner in this matter, Gado, against Jay-Y
12 Enterprises Co., Inc. and we are here for a
13 testimonial deposition this morning pursuant to
14 notice.

15 And let's pause for a second if
16 Ken is needing to confer with people so he can
17 hear us.

18 MR. WILTON: Yes, I can hear
19 you. Hang on one second.

20 (An off-the-record
21 discussion took place.)

22 Q. We are here for a testimonial
23 deposition. I'm going to ask you some questions
24 this morning. It's particularly important today
25 that you answer verbally so that the court

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1 Louis Zollo

2 reporter, who is sitting here, can hear you, so
3 that Mr. Wilton, who represents the Registrant
4 and has kindly agreed to appear by video link,
5 can hear you. The court reporter will take down
6 all the questions and answers today.

7 Again, if the answer is yes, it
8 needs to be a yes, or no, it needs to be a no,
9 not uh-huh, ah-uh, no nods of the head. Even
10 though Mr. Wilton will be able to see the nods
11 of the head, as will the court reporter, it
12 needs to be taken down and transcribed.

13 If there is anything that you
14 don't understand, ask and I'll repeat the
15 question.

16 At varying times this
17 afternoon, morning for Mr. Wilton, he may object
18 to a question or an answer that you give. You
19 can go ahead and answer the question unless I
20 direct you specifically not to answer.

21 I don't suspect that this will
22 take all that long, but certainly the court
23 reporter, if you need a break or if you need a
24 break, we'll find an appropriate stopping point.
25 Or, Ken, obviously if you need a break, we will

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1 Louis Zollo
2 find an appropriate stopping point and take a
3 break.

4 MR. WILTON: That's very kind
5 of you.

6 MR. LERNER: Do you have
7 anything prefatory to add on the
8 record, Ken?

9 MR. WILTON: No.

10 Q. Can you state your full name
11 for the record?

12 A. Louis Zollo.

13 Q. Are you currently employed,
14 Mr. Zollo?

15 A. Yes.

16 Q. By whom are you provide?

17 A. Dolce & Gabbana USA, Inc.

18 Q. For how long have you been
19 employed by Dolce & Gabbana USA, Inc.?

20 A. I started May of 2003. So six
21 and a half years.

22 Q. When you joined Dolce & Gabbana
23 USA, Inc. in May 2003, what was your position?

24 A. My official title was senior
25 controller, not because I'm old, just because

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1 Louis Zollo

2 there was some other controllers there that they
3 used, I guess, as accounting managers but they
4 gave them the title controller.

5 Q. What were your responsibilities
6 as senior controller in 2003?

7 A. I was responsible for the
8 financial and tax functions of the companies --
9 of the company including internal controls and
10 various nontax compliance and so forth --
11 noncorporate tax, meaning tangible personal
12 property tax, commercial rent tax, all other
13 taxes other than corporate.

14 Q. Are you still currently a
15 senior controller?

16 A. No. I was promoted to vice
17 president of finance.

18 Q. When was that promotion?

19 A. I think that was back in 2005,
20 close to 2005. I'm not sure about the exact
21 date.

22 Q. After the promotion, did your
23 responsibilities change at all?

24 A. Well, I was given additional
25 responsibilities. In addition to being

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1 Louis Zollo
2 responsible for the finance department or
3 accounting department, I was also in charge of
4 loss prevention as well as the office facilities
5 of the company, office facilities management.

6 Q. What is loss prevention?

7 A. It's where basically they do a
8 lot of coverage for the security of the retail
9 stores. They'll do -- provide the security for
10 the various events that we have throughout the
11 year on the corporate side as well as the retail
12 side. Every store has security in it in one
13 form or another, whether it's independent
14 contractors or in-house loss prevention security
15 people.

16 Q. Going back prior to your
17 current employment at Dolce & Gabbana, were you
18 employed?

19 A. Yes.

20 Q. By whom were you employed?

21 A. I was employed by Ernst &
22 Young -- I'm sorry. Salvatore Ferragamo first.
23 I was there for about nine and a half years.
24 Prior to that, Ernst & Young, which is a CPA
25 firm.

1 Louis Zollo

2 Q. What was your position at
3 Salvatore Ferragamo?

4 A. I was hired as an accounting
5 manager and four years later was promoted to the
6 controller.

7 Q. When you arrived at Dolce &
8 Gabbana USA, did you have an opportunity to
9 review the company's history?

10 A. Yes. Actually, what I did
11 was -- some people think I'm crazy, but a couple
12 of weeks before I started, I wanted to get a
13 jump on looking at the different information
14 that they had, the data, such as financial
15 statements covering the past two, three years,
16 as well as work papers from the previous
17 year-end audit because that tends to give you a
18 lot of information. So I wanted to at least
19 spend some time on gathering information so when
20 I went on board I was not so much assimilated
21 into it but just that I was aware of the
22 structure and so forth and so on.

23 Q. When you arrived at Dolce &
24 Gabbana in May 2003, did you have an opportunity
25 to review the procedures that the financial

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2 department followed?

3 A. Yes. Over the course of about
4 a month or so, I sat down with each person in
5 the finance department, whether accounts
6 payable, accounts receivable, inventory control,
7 accounting manager and so forth, and I went over
8 specifically their role and the various
9 procedures as it relates to their area.

10 Q. Between 2003 and the present
11 time, have any changes been made to those
12 procedures?

13 A. Yes, but not to the major
14 areas. In other words, if you take accounts
15 payable, accounts receivable, inventory, payroll
16 and so forth, the major basic procedures were
17 continued. The processing of invoices basically
18 were the same. The processing of accounts
19 receivable invoices were the same. Inventory
20 control were basically the same. Did I make
21 changes? Sure. But not to the integral part of
22 each area, because they were pretty much in line
23 to the customary practices that you normally
24 would see.

25 Q. Are you familiar with the

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2 Dolce & Gabbana Group?

3 A. Yes, somewhat. It depends on,
4 you know, what the questions are.

5 Q. What is the Dolce & Gabbana
6 Group?

7 A. Well, Dolce & Gabbana Group
8 basically is -- the corporate headquarters is in
9 Milan, Milan, Italy. Apparently they have
10 several subsidiaries throughout the world, us,
11 Dolce & Gabbana USA being one of many. The
12 interaction that I have is mainly with the
13 Dolce & Gabbana S.r.l., which I believe is the
14 parent company of Dolce & Gabbana USA, Inc.
15 Then there is another company there, a sister
16 company, which is Dolce & Gabbana Industrial,
17 and that's basically the manufacturing arm of
18 Italy, of the group worldwide. We basically
19 purchase goods from them and they're the ones
20 who bill our stores for the merchandise that we
21 purchase from them.

22 So that's really the extent of
23 our interaction between having receivables and
24 payables with those companies because the S.r.l.
25 company we deal with in terms of they give us

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2 money, because we have a cost-plus agreement
3 with them, they basically support our operations
4 in the U.S. from a corporate side, supports the
5 HR -- all the user departments, the HR, the
6 finances, the retail buying, wholesale buying,
7 all the various departments of the company.

8 Q. Are you familiar with the
9 Petitioner in this matter, Gado S.r.l.?

10 A. Only that it's a subsidiary or
11 affiliate of the group. It's part of the group.

12 Q. Are you aware of any direct
13 relationship between Gado and Dolce & Gabbana
14 USA?

15 A. No, no. As far as -- I have
16 been here since May of '03. There was never any
17 interaction in terms of receivables, payables or
18 any verbal or e-mails. I have nothing to do
19 with Gado.

20 Q. What is Dolce & Gabbana USA,
21 Inc.'s business?

22 A. They deal with -- they sell
23 both -- they actually sell two brands, Dolce &
24 Gabbana, which is the luxury brand, the main
25 line, and then the secondary line, although they

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2 don't like to call it that, is the D&G line and
3 within that you have the wholesale side of the
4 business as well as the retail side of the
5 business.

6 Q. What is the wholesale side of
7 the business?

8 A. The wholesale side of the
9 business currently is we have Dolce & Gabbana
10 wholesale and D&G wholesale. The Dolce &
11 Gabbana wholesale is not landed. What I mean by
12 that is any sales that are made to the U.S.,
13 whether to our own Dolce stores or to the
14 third-party boutiques, department stores, are
15 directly sold by Italy, DGI. They have the
16 sale, they have the receivable and so forth and
17 we collect basically a fee income on those
18 sales, that cost-plus thing I was saying.

19 As far as D&G is concerned,
20 that's landed business, which means we probably
21 purchase the goods from DGI directly. We store
22 them in a third-party warehouse to sell to our
23 stores as well as the third-party stores.

24 Q. Can you tell me about the
25 retail side of the business?

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1 Louis Zollo

2 A. In what respect?

3 Q. What --

4 A. The stores, things like that?

5 Q. Yeah, what is the retail

6 business?

7 MR. WILTON: Objection; vague
8 and ambiguous, calls for a narrative.

9 Q. Okay. I think you mentioned
10 there were two sides to the business, wholesale
11 and retail; is that right?

12 A. Correct.

13 Q. You just described what the
14 wholesale side of the business was. Can you
15 describe what the retail side of the business
16 is?

17 A. Sure. The retail, the way we
18 have it structured is we have basically the D&G
19 stores as one, I would say one area of business,
20 and we currently have seven stores here in the
21 U.S. Then you have the Dolce & Gabbana stores
22 which currently have five stores in the U.S.
23 Then you have three outlet stores here in the
24 U.S. These are obviously our own stores and we
25 supply that merchandise either -- all come from

1 Louis Zollo

2 Italy but one is landed, one is not, based on
3 what I was mentioning before. It's at those
4 stores we sell all the different products that
5 Dolce & Gabbana and D&G produce.

6 Q. So I believe you said there are
7 two lines of goods, correct, the Dolce & Gabbana
8 line and the D&G line?

9 A. Exactly.

10 Q. Where does Dolce & Gabbana USA
11 sell -- does Dolce & Gabbana USA sell the Dolce
12 & Gabbana line?

13 A. Yes.

14 Q. Where do they sell the Dolce &
15 Gabbana line?

16 A. At the individual -- the
17 wholesale side or --

18 Q. No, the retail.

19 A. The retail they sell at our
20 individual stores throughout the U.S.

21 Q. Those are the Dolce & Gabbana
22 stores?

23 A. That's right. It's separate.
24 You have the Dolce stores which gets their goods
25 directly from DGI, it's abbreviated for Dolce &

1 Louis Zollo
2 Gabbana Industria. They sell it directly to our
3 stores throughout the U.S. They are in Jersey,
4 in New York, California, Las Vegas and Florida.

5 And then the same thing for D&G
6 even though -- there is a company called --
7 there's two companies here in the U.S., Dolce &
8 Gabbana USA, Inc., which owns a company called
9 D&G USA Distribution, LLC. That company's sole
10 responsibility is purchasing goods from DGI, the
11 D&G product, brings it into a third-party
12 warehouse in New Jersey where it's stored there
13 until we sell it to the -- our individual retail
14 stores, those seven that I mentioned before, and
15 the third-party department stores or boutiques.

16 (An off-the-record
17 discussion took place.)

18 Q. I think you testified that
19 through the stores Dolce & Gabbana USA sells
20 merchandise that is purchased either directly or
21 indirectly from Dolce & Gabbana Industria in
22 Italy?

23 A. That's correct.

24 Q. Do the stores sell any
25 merchandise that Dolce & Gabbana USA doesn't

1 Louis Zollo
2 acquire from the Italian company?

3 A. Yes, the licensees, basically
4 eyewear, watches and perfume, cologne. They buy
5 that from the licensee. Which eyewear, it was
6 Marcolin and it -- currently it's Luxottica.

7 Q. Let me stop you for a second.

8 You say it was Marcolin. Can
9 you give me a time period when the licensee for
10 eyewear was Marcolin?

11 A. I would say maybe three or four
12 years ago, so 2005, 2005 or '6.

13 Q. When you arrived, was Marcolin
14 the licensee for eyewear?

15 A. Yeah. I would think at least
16 three years after that it was. So I would say
17 2006 we converted to Luxottica, but it's not a
18 definite date.

19 Q. Presently is there a licensee
20 for perfume that Dolce & Gabbana USA buys
21 perfume from?

22 A. P&G.

23 Q. Has the licensee for perfume
24 always been P&G?

25 A. I believe it used to be Euro

1 Louis Zollo

2 Italy. I'm not 100 percent sure.

3 Q. Was there another category of
4 licensed goods that you mentioned?

5 A. Watches is from Binda. And
6 that hasn't changed.

7 Q. Focusing on Marcolin and
8 sunglasses, did Dolce & Gabbana USA, while
9 Marcolin was the licensee for eyewear, did Dolce
10 & Gabbana USA purchase -- stop for a second.

11 Did Marcolin manufacture
12 pursuant to license sunglasses under both lines,
13 that is, Dolce & Gabbana and the D&G line?

14 A. I believe so, yes.

15 Q. And did Dolce & Gabbana USA
16 purchase both lines for sale in the stores?

17 A. Yes.

18 Q. When you arrived in 2003, was
19 Marcolin a vendor for Dolce & Gabbana USA?

20 A. Yes.

21 Q. Does Dolce & Gabbana USA
22 presently sell sunglasses at the Dolce & Gabbana
23 retail stores?

24 A. Yes.

25 Q. Did it sell sunglasses at the

1 Louis Zollo

2 Dolce & Gabbana stores in 2003 when you arrived?

3 A. Yes.

4 Q. Do you know when it first began
5 selling sunglasses at the Dolce & Gabbana
6 stores?

7 MR. WILTON: Objection; lack
8 of foundation.

9 Q. You can answer.

10 A. I can answer.

11 I believe so, yes, 1999, I
12 believe it was 1999 and even '98 I believe, but
13 definitely '99.

14 Q. When you arrived in 2003, the
15 Dolce & Gabbana stores were selling sunglasses,
16 correct?

17 A. Yes, yes.

18 Q. Do you know whether they were
19 selling sunglasses prior to your arrival?

20 A. Yes.

21 Q. Thinking about the D&G stores,
22 do the D&G stores currently sell sunglasses?

23 A. Correct.

24 Q. When you arrived in 2003, did
25 the D&G stores sell sunglasses?

1 Louis Zollo

2 A. I believe so, yes.

3 Q. Prior to your arrival, do you
4 know whether the D&G stores sold sunglasses?

5 A. I believe so.

6 MR. WILTON: Objection; lack
7 of foundation.

8 Q. You said when you arrived in
9 2003 or shortly before your arrival you had an
10 opportunity to review the various revenue
11 streams of the company?

12 A. Yes.

13 Q. Among that were you able to see
14 what revenue streams the different product lines
15 were?

16 A. I did, but if you need dollar
17 amounts, no.

18 Q. No, just generally.

19 A. Yeah, but I wanted to actually
20 see -- because I came from Ferragamo, I just
21 wanted to see, even though Dolce & Gabbana is in
22 the industry, I wasn't as familiar with them as,
23 say, Prada. So I wanted to see exactly what
24 they were selling. I don't remember the data in
25 terms of how much the percentage of each product

1 Louis Zollo

2 to the total product.

3 Q. Did you have an opportunity to
4 generally review the different product lines
5 that were being sold at the time?

6 A. Yes, yes.

7 Q. Did you have an opportunity to
8 review historically what had been sold?

9 A. I would say for the past few
10 years prior to that, yes.

11 Q. And your understanding in 2003
12 when you joined Dolce & Gabbana USA was that --
13 is it your understand -- was it your
14 understanding in 2003 when you joined Dolce &
15 Gabbana USA that they had been selling
16 sunglasses prior to your arrival?

17 A. Yes.

18 Q. Does Dolce & Gabbana USA
19 currently have a procedure for processing
20 invoices received from vendors?

21 A. Yes.

22 Q. Can you tell me about that
23 procedure?

24 A. Sure. You're talking about
25 vendor invoices, whether it's for like electric

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1 Louis Zollo

2 or merchandise or whatever?

3 Q. Let's focus on merchandise and
4 specifically let's talk about the vendors from
5 whom you purchased -- from the licensees.

6 A. Like Marcolin --

7 Q. Correct.

8 A. Sure.

9 What happens is the goods are
10 obviously placed by the retail buyer who is
11 responsible for various products and they place
12 an order and so forth and so on. So what
13 happens is the goods come directly to the store
14 in most cases. I remember back then when I came
15 that goods were -- we had a small warehouse in
16 Maspeth, Queens where we would hold the excess
17 merchandise. Each store had a logistical
18 location for their own goods, basically goods
19 that they really can't fit right away into their
20 store because there was limited back space. So
21 in some cases they would ship it to the
22 warehouse and then when the store has some more
23 room, they ship it into the store.

24 The bottom line is in either
25 case, when the goods come in, the process is the

1 Louis Zollo

2 same, whether it's a store or the warehouse.
3 They scan it into -- they -- the shipping
4 department receives the goods and they'll go
5 open the cases and so forth and they'll scan
6 each one. They'll compare it against the
7 packing slip noting any differences.

8 Once they're done scanning them
9 all in, they will print out what we call a
10 receiving document which is basically a
11 receiving -- it gets spit out from the inventory
12 system. Basically whatever you scanned in it
13 shows, so you compare that to the packing slip
14 and/or invoice and to make sure there is a
15 match. If there is not a match, they write a,
16 you know, discrepancy that this wasn't received,
17 it's on the packing slip, but it wasn't received
18 and so forth.

19 Once that's done, it's
20 attached, that receiving document, packing slip,
21 an invoice is attached together and it's sent to
22 the accounts payable manager or accounts payable
23 department where the A/P person will go through
24 and make their checks in terms of does the
25 receiving units agree -- do the units per the

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receiving document, does it agree to the invoice that they are ultimately going to be paying. They do make that reconciliation, whatever, make sure it agrees and then they send it to the retail buyer.

The retail buyer is basically the -- they authorize that they purchased these goods at these unit prices and so forth and it's sent back to accounts payable where they will enter it into the system. When I say "the system," it's already been entered into the inventory system. The A/P person is responsible to enter it into the general ledger system where basically they charge purchases and they open up a liability to that vendor, whether it's Marcolin, Binda or P&G, at which point each vender is already set up -- once a vender is set up, their payment terms are put in there, whether it's 30 days, 120 days, whatever the vendor's terms are, and that usually refers to the invoice date. So the A/P system keeps track of how -- of when the payment is due based on their terms.

Then what happens is every two

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1 weeks we would cut checks and based on the due
2 dates. So Marcolin, I believe, was like 120-day
3 terms. So probably a couple of weeks before
4 that it would spit out a proposed payment
5 listing of all vendors and vendor invoices that
6 have to be paid. And then basically -- prior to
7 that, the invoice gets coded to what account
8 it's supposed to go to, who approved it, signed
9 off and so forth. That's basically it.
10

11 Q. Was that the procedure when you
12 arrived at Dolce & Gabbana in 2003?

13 A. Yes. The only difference I've
14 noticed is that currently we use a stamp. It's
15 just a little more formal, give account number,
16 account -- day it was posted, who approved it
17 and basically what day the accounts payable
18 entered into the system. On the invoices, you
19 know, back then there was no stamp. It was more
20 or less informal. You would see written notes
21 and so forth.

22 Q. You mentioned an inventory
23 system?

24 A. Yes.

25 Q. What is that inventory system?

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1 Louis Zollo

2 A. The name of it?

3 Q. Yes.

4 A. Currently -- I think in --
5 currently it's the "Start" system. That was
6 converted, I believe, in 2000. Prior to that it
7 was a system called "Retail Pro."

8 MR. WILTON: Objection; lack
9 of foundation.

10 Q. How do you know what the system
11 was called prior to your arrival?

12 A. When I did all my research and
13 whatever, I actually questioned the Start
14 System. It was an Italian system. I was just
15 looking, I said, "How long have you been using
16 this, was this since day one?" They said, "No,
17 there is another system we use," which was
18 Retail Pro.

19 MR. WILTON: Objection;
20 hearsay.

21 Q. Did you have an opportunity to
22 review historical documents at the company that
23 used the Retail Pro system?

24 A. Yes, that proved that was
25 Retail Pro.

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Louis Zollo

MR. WILTON: Same objection.

Q. Is there a system in place for storing documents related to the invoice procedures you've outlined?

A. Yes. Every order -- what happens is after it's been processed and paid, it's filed. We kept at least two years on premise. Then prior to that we would archive it in an outside -- using an outside service.

Q. Do you know how long the archives are kept?

A. Forever basically. I mean, when I came aboard, I looked at the retention policy and I believe that they didn't even have a retention policy, they basically kept everything. And, you know, according to accounting records, IRS regs, there are certain things, you know, after seven years you can throw out invoices and so forth. They kept everything. When I came aboard going forward, I implemented a more formal retention policy of keeping invoices and data, meaning, you know, I listed out like tax returns -- I mean like land deals or any building, indefinite, you keep it

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2 forever, you know. Certain things like
3 invoices, I think it's seven years. They have
4 IRS guidelines how long you have to keep them.

5 MR. LERNER: Let's mark this
6 as 45, Plaintiff's 45 -- Petitioner's
7 45.

8 (Marcolin invoice dated
9 9/14/99 and shipping document, Bates
10 Nos. DG01897-01901, marked
11 Petitioner's Exhibit 45 for
12 identification, as of this date.)

13 Q. I'll hand you a document that's
14 been marked Petitioner's 45 that has at the
15 bottom -- you'll see some identification
16 numbers, DG01897 through DG01901.

17 A. I'm sorry, where is that?

18 Q. Bottom right-hand corner of
19 each of the pages, the DG number.

20 A. Oh, 1897 to 1901.

21 Q. We put that on there.

22 MR. LERNER: Ken hopefully
23 has the same document with the same
24 range of 1897 to 1901.

25 MR. WILTON: I do.

1 Louis Zollo

2 I object to the use of this
3 document on the grounds it was not
4 produced during discovery.

5 Q. I'll ask you to take a look at
6 this document.

7 Do you know what this document
8 is?

9 A. Yes.

10 Q. What is it?

11 A. Invoice from Marcolin to our --
12 it was shipped to Maspeth, that was that
13 warehouse that I was talking to you about, but
14 it was billed to or sold to 825 Madison, which
15 is our Madison Avenue store. The first four
16 pages I believe are basically the invoice for
17 Marcolin for these goods.

18 Now, the back -- this is one
19 thing I can tell you about why I said Retail
20 Pro. This is not a Start receiving document,
21 this is a Retail Pro document.

22 Q. You are talking about the
23 page --

24 A. Page 1901. Basically what this
25 is is when it goes to the warehouse, they scan

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1 Louis Zollo

2 all the goods in and they print out what they
3 scanned, which means what the --

4 Q. Let me stop you for a second.
5 You mentioned before scan and
6 you said again. What do you mean by "scan"?

7 A. Oh, I'm sorry. When they scan
8 the goods, the POS system is in line, it's
9 automated. So what happens is you just take --
10 you open the boxes and you scan the items into
11 the system, to our inventory system.

12 Q. Is that bar codes?

13 A. Yes, bar code, exactly,
14 exactly. These go into the system. So what
15 happens is they print this out for two reasons;
16 one, basically to show what they counted from
17 the shipment and what Marcolin delivered and,
18 then, two, to make sure that this agrees with
19 the invoice and if it doesn't, there is
20 discrepancies or whatever, and they'll note it
21 because then this eventually gets attached.
22 This is proof that it's in our inventory system.
23 And then it gets attached to the invoice so when
24 it ultimately goes to accounts payable, the A/P
25 person will not pay unless the units -- they

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2 will only pay for the units that we received.

3 In this case, I can see that
4 there was a big difference which I got to say is
5 unusual. They said they shipped 147 but we only
6 received 90. So that's a pretty big difference.

7 Q. You're pointing when you say
8 they shipped 147 --

9 A. The first page, 1897, it says
10 "Quantity Shipped: 147," but then there is a
11 manual entry that says "90 units" which is
12 basically saying that the receiving document,
13 the last page, 1901, shows that, wait a second,
14 we only received 90. The A/P department would
15 not enter the 147. They are going to enter what
16 we received and we will pay on that.

17 Q. Let's look at the last page of
18 this document, 1901, which you call the
19 receiving document. Can you take me across the
20 columns and tell me what these represent.

21 So starting on the left-hand
22 side, "Item Number," what is that?

23 A. Well, this is our code, our SKU
24 number, the item number.

25 Then you have the model number,

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1 Louis Zollo

2 the corresponding model number.

3 Q. Is that the very next column,
4 "DCS," is that the model number?

5 A. It's a description. It's kind
6 of part of the SKU number.

7 Then you got the VC -- VC I'm
8 not too familiar with. It says March. That I'm
9 not familiar with.

10 Then there is a model number.

11 And then the color or whatever
12 of the item.

13 Then the size and the quantity
14 and the price per unit or the cost per unit and
15 then the extension, taking that times the units.

16 Q. Can you do the same thing for
17 me with any page of the invoice starting with
18 the columns across?

19 MR. WILTON: Objection; vague
20 and ambiguous.

21 Q. Let's take a look at the
22 left-hand column in the center of the invoice.
23 Take page 1899.

24 A. The description?

25 Q. Do you know what "W/L," what

Louis Zollo

that column represents?

A. No, I do not know what that is.

Q. What about "QTY"?

A. That's quantity.

Q. And "Description"?

A. Then the description is a model number. The "Size" and the "Code," their code, not our code, their SKU numbering, not ours. So ours is the equivalent of what's on the packing slip. That's the one we use to record in our system.

Q. What about "Unit Price"?

A. That's the unit cost.

And then the extension is the 105 times the 6, which will give you 630.

Q. So on the top of that page, the first row across there is a description of "DG308S Satin Black" and a size and a unit price. If we wanted to see whether that product was actually received by Dolce & Gabbana, what would you do?

A. I would compare it to the receiving document and you would match up the model number in the column called

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2 "Description 1." So DG308S, DG308S, 6 units,
3 6 units, then you go down the list.
4 (Indicating.)

5 Q. I note in the "Description"
6 column in the Marcolin invoice on page 1899 each
7 description has something after it in
8 parenthesis.

9 A. The 111 --

10 Q. Correct.

11 A. -- 715?

12 Q. Is that reflected anywhere in
13 the shipping --

14 A. I don't think so. I'm not
15 familiar with that.

16 Q. So, for example, look at the
17 BR, the one you just looked at, the very first
18 line, that 308S Satin Black BR, I look at the
19 second row in the shipping document. Under the
20 description it says DG308S and then I look at
21 the next column and there is a BR.

22 Do you know whether that's the
23 same BR as the parenthetical in the Marcolin
24 invoice?

25 A. I would assume so, yes, because

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2 the model number is the same, DG308S, and it
3 says BR and here it's BR. (Indicating.)

4 Q. Staying on that same page,
5 looking several rows down, do you see a
6 description "Dark Havana"?

7 A. Yes.

8 Q. Is the model number for Dark
9 Havana represented there on the invoice page?

10 A. On the receiving you mean?

11 Q. No, on the invoice page, is
12 there a model number for Dark Havana?

13 A. Yes, DG530S is 4 units.

14 Q. Is that reflected on --

15 MR. WILTON: Let me object
16 for a second on the grounds there is
17 several Dark Havanas, at least there
18 is two.

19 Q. Let's take a look at the first
20 Dark Havana.

21 A. The first one right here, okay.
22 (Indicating.)

23 Q. One, two, three, four, five,
24 six rows down; the sixth description that says
25 Dark Havana with the parenthetical 182 after it,

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do you know from the invoice does it show model number for that Dark Havana?

A. On the invoice it's here.

Q. Right.

A. Okay. What's the question?

Q. Can you find the model number for that first Dark Havana that appears in that column?

A. Yeah, I see it.

Q. What is that model number?

A. DG530S.

Q. Can you tell from the shipping document whether DG530S Dark Havana 182 was actually received by Dolce & Gabbana?

A. According to the receiving document, yes. I see the 6 units. It says 182 in the "Attribute" column of the receiving which agrees with the Dark Havana 182.

Q. It looks like this says 4 on DG1899 whereas there's a shipping --

A. 1899 it says 4?

Q. The shipping says 6. Is that --

A. DG --

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1 Louis Zollo

2 Q. Do you know whose handwriting
3 this is that says -- can you read what that says
4 written in hand in the middle of DG1889?

5 A. I don't know whose handwriting
6 that is, no.

7 Q. Do you know what that says?

8 A. It says "DG Bal Harbour."

9 Q. Do you know what DG Bal Harbour
10 is?

11 A. That's a Dolce store.

12 Q. You don't know why that's
13 written there?

14 A. No, especially because it says
15 "Sold To: 825 Madison." That's strange. I
16 know if you look at the receiving, we do have
17 differences. It looks like even though the
18 invoice says 4 for Dark Havana 182, they gave us
19 6. Then there is others that are reversed that
20 come out to the 90. They are saying on the
21 first page they shipped 147. We are saying,
22 "No, you shipped only 90 and not only are you
23 shorting us but you gave us things we didn't
24 order." It says they're shipping 4 but they
25 gave us two extra.

1 Louis Zollo

2 Q. Do you see that same model
3 number DG5306 Dark Havana 182 anywhere else on
4 the Marcolin invoice?

5 A. I see it on --

6 Q. Not on the shipping document
7 but on the Marcolin invoice. I draw your
8 attention to 1900, the top line.

9 A. Yes. There was 6. So that one
10 agrees. Well, not really because it says --
11 this says 182 on the invoice. But there was
12 another one, wasn't there, 182?

13 Q. So there is two different line
14 entries for that same model number.

15 A. They are both the same size,
16 50/19. In essence, it looks like there's 10.
17 Here there seems to be only 6.

18 Q. So there are 10 on the invoice
19 but only 6 in shipping?

20 A. Yeah. There is another 530S
21 but it's 111. No, 182. Again, this is what
22 they received. This is what they're saying that
23 they shipped.

24 Q. When you are saying this is
25 what they received, you pointed to 1901?

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1 Louis Zollo

2 A. To 1901.

3 Q. Can you tell looking at this
4 whole Exhibit 45 whether Marcolin was paid for
5 the goods that were shipped?

6 A. No, but I think I would --
7 based on the systems or the procedures that are
8 in place, it would automatically be paid as long
9 as, you know, based on the payment terms and I
10 would have to assume it's been paid. Usually
11 like right now there would be a stamp that says
12 "Paid," you know, that gives you the date that's
13 paid. Here I don't see that. It tells you the
14 date they posted it, which means they charged
15 purchases and credited accounts payable but they
16 don't say when it was paid. I'm confident that
17 it was paid.

18 Q. You said a minute ago it was
19 posted. Where is it posted to?

20 A. The general ledger on -- it
21 looks like here October 1999. So basically what
22 they do is they charge purchases and they set up
23 a liability to Marcolin. Then 120 days later,
24 we cut a check which would reduce the A/P to
25 zero and, you know, they issue a check.

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1 Louis Zollo

2 Q. Can you tell from the shipping
3 document, 1901, whether these glasses were ever
4 put onto the retail selling floor at
5 Madison Avenue?

6 A. I mean, they would have to be.
7 There is two options. One, if it's -- first of
8 all, this was shipped to warehouse. So what
9 would happen is if it's shipped to the
10 warehouse, it would stay there until there is
11 room at the store and then it would be
12 transferred over to there. They use the
13 warehouse as an overflow because a lot of our
14 stores don't have tremendous back space so you
15 need to -- if there is excess capacity meaning
16 they ordered the goods, they are going to need
17 them but until they need them they will put them
18 in the warehouse and it's transferred. But I'm
19 sure there's other invoices that it would be
20 shipped directly to Madison or the store at
21 which point if the floor needs it, it puts it
22 directly onto the floor. If the floor doesn't
23 need it that day, it will be stored in the back
24 office.

25 MR. LERNER: We will take a
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1 Louis Zollo

2 look at another.

3 (Marcolin invoice dated
4 5/13/99 and shipping document, Bates
5 Nos. DG01893-01894, marked
6 Petitioner's Exhibit 46 for
7 identification, as of this date.)

8 Q. I'll hand you what's been
9 marked as Petitioner's 46 which is two pages
10 with the numbers that we have put on the bottom
11 right-hand corner DG1893 and 1894.

12 MR. WILTON: I'll object to
13 the use of these documents also on
14 the ground they were not produced
15 during discovery although they were
16 requested.

17 Q. I'll ask you to look at
18 Exhibit 46 and ask you if you know what this
19 document is?

20 A. The first page, 1893, looks to
21 be the receiving document that the store filled
22 out or what was produced from the inventory
23 system once they scanned it in. The second page
24 is the actual invoice from Marcolin, shipping
25 and billing to the Madison store, Dolce Madison

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1 Louis Zollo

2 store.

3 Q. Again, can you tell me how this
4 first-page document, the shipping document, was
5 created?

6 A. Again, when it's shipped at the
7 store, the shipping department would receive the
8 merchandise and they would actually open the
9 boxes and they would scan each and every item.
10 This is what is printed out from the system to
11 show these are the ones that have been uploaded
12 into the system. Again, this document is used
13 to attach the invoice to give ultimately to the
14 accounts payable department so they can approve
15 it or process it for payment when it's due.

16 Q. So do you see towards the top
17 of the page next to DG USA, Inc. there is an
18 address 825 Madison Avenue?

19 A. Yes.

20 Q. Does that tell you anything?

21 A. That's from the Madison store.
22 That's where our Madison store is.

23 Q. So this document reflects
24 inventory that was received by the
25 Madison Avenue store?

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1 Louis Zollo

2 A. Directly from the
3 Madison Avenue store.

4 Q. Whereas looking at
5 Exhibit 45 --

6 A. That looks like it was shipped
7 directly to the -- not -- shipped to the
8 warehouse eventually to be transferred to the
9 Madison Avenue store.

10 Q. Tell me how you know that from
11 Exhibit 45.

12 A. Because it says on the
13 receiving document -- well, two things. It says
14 "Ship To: Maspeth, New York," which is where
15 our warehouse was. In the back, this is a
16 receiving document that was spit out from the
17 inventory system, it says "Warehouse, 56-31 56th
18 Drive." So those two reasons it tells me it was
19 shipped not to the store but to the warehouse to
20 eventually be transferred to the store.

21 Q. Exhibit 46, because that has
22 the Madison Avenue address at the top --

23 A. Okay.

24 Q. -- that tells you this was
25 directly received by the store?

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1 Louis Zollo

2 A. Same thing, you see on the
3 invoice it says "Sold To: Dolce & Gabbana
4 Boutique, 825 Madison Avenue." To the left
5 side, I don't see why, but usually that would
6 say "Ship To," somehow it might not have been
7 printed out.

8 Q. Once the Madison Avenue store
9 received the inventory, scanned it in, generated
10 this document, where did it go next, this
11 document?

12 A. What happens is, again, they
13 match this receiving which shows to us, proves
14 to us it was uploaded in the system what we
15 received even though it disagrees with what the
16 invoice says. It's attached to the invoice to
17 be sent to accounts payable. Accounts payable
18 either do two things; one, either send it
19 directly to the retail buyer to approve it, the
20 cost of it, and all that and send it back and
21 then at that point, if it wasn't done before by
22 accounts payable, they would compare the units
23 per the receiving, which is our proof of what we
24 received, to the invoices. If there is a
25 difference, they are only going to pay --

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1 Louis Zollo

2 they'll deduct whatever those units cost from
3 the invoice and we would pay what the new price
4 is. We would post it again as a purchase, open
5 up a liability to Marcolin, but not on the
6 invoice amount, the invoice amount less the
7 discrepancy.

8 Q. After that, what happens with
9 the document?

10 A. After that it's filed in the --
11 once it's been paid, it will be filed in the
12 paid invoice file which will be kept -- they are
13 usually by vendor, by payment date and we
14 usually keep on hand the current year and the
15 previous year. Then anything prior to that is
16 archived to an outside storage facility.

17 Q. Why do you maintain the paid
18 invoices?

19 A. We need to for IRS, state and
20 city audits, whether corporate income tax
21 audits, sales tax audits, anything.

22 Q. Do you know where Exhibit 46
23 came from?

24 A. From our records, yeah. We
25 actually took it -- we actually went to the
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1 Louis Zollo

2 archives and brought it back.

3 Q. What about Exhibit 45, is that
4 also --

5 A. Same thing, same thing.

6 (Marcolin invoice dated
7 5/13/99 and shipping document, Bates
8 Nos. DG01895-01896, marked
9 Petitioner's Exhibit 47 for
10 identification, as of this date.)

11 Q. The court reporter has handed
12 you what's been marked as Exhibit 47 which is a
13 two-page document with, again, our
14 identification numbers at the bottom right-hand
15 corner, DG01895 and DG01896.

16 MR. WILTON: I'll object to
17 the use of this document on the
18 grounds it was not produced during
19 discovery.

20 Q. I'll ask you to take a look at
21 this document.

22 A. Pretty much the same as the
23 other two.

24 Q. So what is this first page of
25 the document, do you recognize what this first

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1 Louis Zollo

2 page is?

3 A. It's a receiving document that
4 comes out of our system, a receiving document of
5 what was received, in this case at the
6 Bal Harbour store.

7 Q. Does this document tell you the
8 date that the inventory was received?

9 A. It was uploaded -- well, it was
10 received on April -- May 18th, 1999.

11 Q. I see some handwriting next --
12 in the top third of the page, it says
13 "5/25/99 corrected."

14 Do you know what that means?

15 A. I'm not sure.

16 Q. What's the next page of this
17 document, do you know?

18 A. Marcolin billing us for those
19 goods. In this particular case, they shipped 34
20 and we received 34 and it was shipped directly
21 to our Bal Harbour Shops because it says so.

22 Q. How do you know that this
23 shipping document matches to the invoice that's
24 annexed?

25 A. I'm sorry, say that again?

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1 Louis Zollo

2 Q. How do you know this shipping
3 invoice --

4 A. This receiving document?

5 Q. Yeah, relates to the invoice
6 that's annexed?

7 A. Because it agrees with the
8 units. It says here 34 units, 34 units and the
9 individual items I'm sure agrees, as well.

10 Q. Is there an invoice number
11 recorded anywhere on the shipping document?
12 Sorry, the receiving document?

13 A. I don't believe so.

14 Q. Take a look above "Shipping
15 Address."

16 A. Yes, it is, yes. It says
17 invoice number 2295931, which is the invoice
18 behind it. The invoice date is there, as well.

19 Q. To the right of invoice number
20 on the receiving document, 5/13/1999 --

21 A. That's the date of the invoice.

22 Q. Did this receiving document
23 follow the same procedure as the previous
24 receiving documents we talked about?

25 A. Absolutely.

1 Louis Zollo

2 Q. Can you tell from this
3 receiving document whether the Bal Harbour store
4 ever actually put the items received on the
5 selling floor?

6 A. Not from here but the
7 presumption is absolutely. They wouldn't
8 purchase anything if it wasn't going to be put
9 on the selling floor.

10 Q. I think you mentioned
11 previously but who is responsible for
12 determining what gets purchased by the stores?

13 A. The retail buyer. They are
14 responsible for it. That's how they're
15 actually -- what they buy determines how their
16 performance is, not only their salary but also
17 their bonus. They have to maintain certain
18 sell-throughs and gross margins, sales and so
19 forth. That's how they measure the productivity
20 of a retail buyer. So there is a presumption
21 here definitely it was put on the floor.
22 Otherwise, the buyer would be negligent in doing
23 their job.

24 But, no, you're not going to
25 see that on here, no way.

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1 Louis Zollo

2 Q. And can you tell from the face
3 of this first page of Exhibit 47 whether there
4 were any returns of any of this inventory?

5 A. Not from here, no.

6 Q. How could you tell if that were
7 the case?

8 MR. WILTON: Objection; vague
9 and ambiguous, calls for speculation.

10 Q. Do you know whether Marcolin
11 accepted returns?

12 A. Well, they only accepted
13 returns on, I believe, two scenarios. One is if
14 there was defective, manufacturer defects, we
15 can return them. But they did accommodate us at
16 times to do exchanges. In other words, if we
17 had some returns, some goods that after selling
18 season -- although I shouldn't say selling
19 season because eyewear pretty much they carry
20 over from year to year, but if there is some
21 slow-moving glasses, they give us the
22 opportunity just to exchange them for a
23 comparable -- unit-wise, new glasses. But there
24 wasn't a situation where "Oh, I can't sell
25 these, send them back and that's it, give us our

1 Louis Zollo

2 money back." That was not in existence.

3 Q. I just want to go back for a
4 minute about your testimony earlier about the
5 stores themselves. I believe you testified
6 there are currently seven D&G stores; is that
7 correct?

8 A. Seven D&G stores, five Dolce
9 and three outlets.

10 Q. Do you know when the first D&G
11 store opened?

12 A. The first D&G store I believe
13 was '98 or '99, which was SoHo.

14 Q. And of the five Dolce & Gabbana
15 stores, do you know which one opened first?

16 A. Madison, Madison Avenue store.

17 Q. Do you know when that was?

18 A. Around the same time.

19 MR. LERNER: Off the record.

20 (An off-the-record
21 discussion took place.)

22 (A recess was taken.)

23 MR. LERNER: I'm going to go
24 back on the record and turn the
25 witness over to you, Ken.

1 Louis Zollo

2 MR. WILTON: You're done?

3 (An off-the-record
4 discussion took place.)

5 (A recess was taken.)

6 EXAMINATION

7 BY MR. WILTON:

8 Q. Mr. Zollo, you know from my
9 sojourn in your fair city I represent Jay-Y
10 Enterprises in this proceeding.

11 When was the first time that
12 you heard of Jay-Y?

13 A. First time I guess about July I
14 believe.

15 Q. Of 2009?

16 A. Yeah, when Italy got me
17 involved in this.

18 Q. Prior to that time, you had
19 never heard of the company?

20 A. No.

21 Q. You mentioned in your initial
22 statement that you don't get involved in
23 corporate tax compliance. What is the line
24 between what you do and what corporate tax
25 compliance --

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1 Louis Zollo

2 A. I'm sorry, I do deal with
3 taxes. Did I say I didn't?

4 Q. I thought you said you didn't.

5 A. No, no. I said my
6 responsibilities were finance and tax, not only
7 corporate income tax but also intangible -- any
8 noncorporate income taxes, meaning commercial
9 rent tax, sales tax and so forth. We could
10 reread it, but if I did say that, I was
11 mistaken. I miscommunicated.

12 Q. You mentioned Dolce & Gabbana
13 S.r.l. gives Dolce & Gabbana USA, Inc. money?

14 A. That's correct.

15 Q. What does it give Dolce &
16 Gabbana USA, Inc. money for?

17 A. Basically to run the
18 corporate -- the wholesale operations of -- the
19 U.S. operations of the wholesale Dolce & Gabbana
20 product. Because what happens is Dolce &
21 Gabbana is not landed, the wholesale, which
22 means they sell directly to our stores, Dolce &
23 Gabbana stores, and the third party. But what
24 we do here is we facilitate that sale. We act
25 as -- they don't like to use the word "agents,"

1 Louis Zollo

2 but we are service providers. So we would set
3 up the markets, we would hold the markets, we
4 would advertise the goods and so forth and so
5 on. With all that, you have commercial
6 salespeople here, you know, they travel, you
7 have the finance department, HR. So whatever it
8 costs us to run that part of the business, we do
9 a calculation, an allocation, because we don't
10 bill them back all of it, because the other part
11 is we support the retail business. That has
12 nothing to do with Italy's Dolce & Gabbana
13 wholesale. That's why what they do, we call it
14 a cost-plus. So we do it at an allocation of
15 how much costs it takes to run the Dolce &
16 Gabbana wholesale business. Then they give us a
17 monthly fee and at the end of the year we
18 reconcile because they might owe us more money.

19 Q. The allocation -- let me try to
20 do this with a hypothetical.

21 A. Sure.

22 Q. If Dolce & Gabbana S.r.l.
23 sells--we'll use dollars for convenience--\$100
24 worth of merchandise directly to the
25 Madison Avenue store --

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1 Louis Zollo

2 A. Excuse me. They don't --
3 Dolce & Gabbana S.r.l. does not sell. Dolce &
4 Gabbana Industrial is the manufacturer. They
5 are the ones that sell to us.

6 Q. So Dolce & Gabbana Industrial
7 sells merchandise directly to, for example, the
8 Madison Avenue store; is that right?

9 A. Correct.

10 Q. Let's assume they sell \$100 in
11 merchandise to the Madison Avenue store.

12 A. Okay.

13 Q. Does Dolce & Gabbana USA, Inc.
14 get a percentage of that or is it calculated in
15 a different fashion?

16 A. No. It's -- let me clarify.
17 It's only -- that fee that they pay us is only
18 on the wholesale part, meaning when they sell to
19 Neiman's, Nordstrom and other third-party --
20 other third-party department stores and
21 boutiques, that's what I consider Dolce &
22 Gabbana wholesale. When they sell it to our
23 retail stores, that has nothing to do with our
24 allocation or our fee that we receive from them.
25 Because you have to understand, they're in

1 Louis Zollo

2 Italy, they're the ones who ship the goods, set
3 up the receivable, record the sales and collect
4 the receivable for those goods. But we do a lot
5 of the work, the commercial division, the HR,
6 the finance, a piece like my time, we actually
7 go through each department that deals with
8 supporting Dolce & Gabbana wholesale business
9 and we say, okay, Lou Zollo's -- 20 percent of
10 his time, whatever, he gets this much salary.
11 We do a real detailed analysis, an allocation,
12 to say, okay, of all the cost of the showroom,
13 what we call corporate office here, say it's
14 \$10 million, we may bill them 4 million of that
15 \$10 million. Because, again, the other part of
16 the allocation is to the retail stores which
17 they have nothing to do with and, therefore, we
18 don't get any income on.

19 If I'm clear.

20 Q. You're probably clear and I'm
21 probably slow.

22 A. No, no, no. Go ahead.

23 Q. Using your example, let's
24 assume that you're -- let me back up.

25 The \$10 million figure, and I

1 Louis Zollo

2 know that's not an exact figure --

3 A. It's just a number right now.

4 Q. Is that essentially an SG&A
5 kind of number, a sales --

6 A. It's basically -- that
7 \$10 million number is -- we have an office -- we
8 had an office on 660 Madison but now we are at
9 148 Lafayette Street. So we have all our
10 support departments there, HR, finance,
11 retail -- no, no, that's retail, commercial,
12 marketing, advertising, PR and so forth, IT. So
13 to run that office between rent, all SG&A
14 expenses, selling expenses, G&A, rent,
15 utilities, promotional, whatever, that's a
16 bucket of, say, \$10 million. Then we have an
17 allocation that we do for the Dolce wholesale,
18 which is Italy. Then we allocate, we do
19 internal management fee to our outlet divisions,
20 our D&G stores, Dolce stores and so forth.

21 So picture four columns, you
22 know? The first column is the part that we bill
23 back -- Italy gives us to support that amount or
24 those activities. Because, again, they're in
25 Italy, they don't have the salespeople, they

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2 don't have the infrastructure that we do that
3 we're doing. That's why part of the reason
4 we're here, aside from the retail stores, of
5 course, we support their business, and we're
6 basically charging them for it.

7 (An off-the-record
8 discussion took place.)

9 Q. Okay. If I understand
10 correctly, then, internally at Dolce & Gabbana
11 USA, Inc. you allocate some percentage of your
12 overall advertising expense to the Dolce &
13 Gabbana wholesale business; is that right?

14 A. SG&A, rent, marketing,
15 everything, whatever it takes to run that
16 business, personnel expense, every expense you
17 can think of running that office. Then, again,
18 we go through each department and say some
19 departments do very little support for that
20 Dolce business so their allocation will be very
21 small. Other departments, like commercial
22 wholesale, whatever in that department, travel,
23 their salary, 100 percent goes to them; you
24 know, finance, maybe 20, 30 percent.

25 Q. When you -- when I say "you,"

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2 Dolce & Gabbana USA does that internal
3 allocation; is that right?

4 A. We do it; that's correct.

5 Q. And you're probably in charge
6 of it; correct?

7 A. I'm in charge of it, I don't
8 actually do it, but I review it. My budget
9 person takes care of it, but I review it, yes.

10 Q. Then you report back to Dolce &
11 Gabbana S.r.l. that hears the allocation that we
12 have made of these various SG&A expenses?

13 A. Yes, and they approve -- not
14 approve it, but they'll question us because
15 obviously they don't want to pay us too much
16 money. They'll say, "Why are you charging
17 us" -- we have to have a support, how we went
18 through it and so forth.

19 Q. So in your example you have,
20 for example, 100 percent of the commercial
21 wholesale expense is billed back to Italy --

22 A. Because they solely work on
23 supporting that business, the Dolce & Gabbana
24 wholesale business, right.

25 Q. Let me finish my question so

1 Louis Zollo

2 that the record here is clear. Is that okay?

3 A. Of course.

4 Q. So in your example you have
5 100 percent of the commercial wholesale expense
6 is billed back to Italy, X percent of the IT,
7 information technology, is billed back to Italy,
8 a percentage of rent is billed back to Italy,
9 et cetera, et cetera; is that right?

10 A. Correct.

11 Q. Then Italy may come back and
12 say, "Hey, guys, 20 percent of rent is too high,
13 it should be 18 percent," or something like
14 that. I use that as an example, not as an exact
15 percentage.

16 A. Can I answer?

17 Q. Yeah.

18 A. They will not -- they will
19 challenge us, but we just have to support --
20 because we know our business. If they say "How
21 did you get that?" "Oh I just picked it up,"
22 then they would say, "You're crazy." I have to
23 show them an analysis of how I went through it.

24 Q. They may, after receiving your
25 report of the allocated expenses, they may

1 Louis Zollo

2 challenge certain line items and ask for backup?

3 A. Absolutely, absolutely.

4 Q. When they finish that analysis,
5 do they cut one check to Dolce & Gabbana USA or
6 do they cut separate checks for each department?

7 A. Oh, no, one check and they bill
8 us -- we bill them monthly. We bill them
9 monthly, they pay us one check, correct.

10 Q. Per month?

11 A. Per month.

12 Q. Do you know how Dolce & Gabbana
13 S.r.l. allocates that check on its own books?

14 A. No, I cannot say I do. It's --
15 on us it's an income, so on them it has to be an
16 expense. They probably call it a subsidiary
17 support, a management fee allocation, I'm not
18 sure.

19 Q. So you don't know what line
20 item they put that expense in; is that right?

21 A. That's correct. All I could
22 say is that they record it as an expense because
23 it's income to us and it's an expense. But what
24 line they put it on, I'm not sure.

25 Q. Other than the payment by

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2 Dolce & Gabbana S.r.l. as support for the goods
3 that are not landed, does Dolce & Gabbana USA
4 receive any other monies from Dolce & Gabbana in
5 Italy?

6 A. Yes. We receive what they call
7 an advertising contribution. This really
8 relates to the retail stores.

9 Q. So in other words, Dolce &
10 Gabbana S.r.l. contributes some percentage of
11 the overall advertising expense by Dolce &
12 Gabbana USA for the retail end of the business;
13 is that right?

14 A. Yes and no. I call it
15 advertising contribution, but what it really is
16 is we basically -- I don't know how detailed you
17 want me to get but there's three expenses --
18 there is a calculation we have to do, and
19 basically there's three expenses, rent,
20 personnel expense and depreciation. What we do
21 is we add them up, because they did a worldwide
22 study of how much is attributable to us as a
23 company here in the U.S. versus -- of those
24 three expenses, we might be spending more money
25 and it's hurting the U.S. because we are really

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2 doing it for the branding worldwide. So they
3 reimburse us a certain amount in excess of a
4 certain percentage.

5 For example, if our sales are
6 \$100 million, again, these are just ball -- not
7 even ballpark, these are made-up numbers, we do
8 a calculation, we take \$100 million, times it by
9 34 percent. So that's \$34 million. If our
10 three expenses exceed that 34 percent, they
11 reimburse us the excess on the theory that the
12 normal expense we should only be incurring is
13 34 percent. If we are incurring 40 percent,
14 that means that we're doing -- because they
15 mandate -- when we renovate a store, they are
16 the ones who mandate how much money to use in
17 the build-out costs. So it's not fair for us to
18 get hit with that because basically it's
19 branding and building up the brand and imaging.

20 Let me backtrack. These two
21 monies that -- these agreements, I believe they
22 came into effect in 2004 or 2005. It wasn't
23 prior -- prior to that, we never received any
24 income -- I'm sorry -- the cost-plus we have
25 always received, but they didn't call it that.

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2 They called it a different type of agreement
3 which was before my time. I really couldn't go
4 into how they did that. But they never had that
5 advertising contribution until 2004 or '5, I
6 believe.

7 Q. So calling it an advertising
8 contribution --

9 A. It's a misnomer.

10 Q. It's a misnomer, okay.

11 If I'm understanding correctly,
12 it's really more of a way of evening out the
13 expenses among Dolce & Gabbana's subsidiaries
14 worldwide?

15 A. Exactly, because everything we
16 do in each subsidiary you're really branding,
17 you know? You're doing a certain part of
18 branding because every store has to look the
19 same but it's very expensive. It's like, wait a
20 second, why should we get hit by that? The same
21 thing with personnel expenses because you have
22 to be in the right areas. The rents, as you can
23 imagine, would be very high because you have to
24 be on Rodeo Drive and this and that, where
25 typically maybe you go into a cheaper, you know,

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2 but because we are Dolce & Gabbana and we have
3 to maintain that standard, they felt that
4 corporate Italy should bear some of that cost.
5 I believe that was the theory behind it.

6 Q. The payment made by Dolce &
7 Gabbana S.r.l. to Dolce & Gabbana USA, Inc. is
8 called an advertising contribution. Do you know
9 what line item Dolce & Gabbana S.r.l. puts it
10 under?

11 A. No. I could guess and say it's
12 a reduction and it's on their rent and their --
13 whatever our expenses -- like personnel, rent,
14 depreciation, which I doubt, I don't know, my
15 answer is I don't know, but my guess is they
16 would probably put it as one line just like
17 cost-plus. But I don't know, I don't see their
18 books, I don't know.

19 I just wanted to add to what I
20 was saying, it's an expense. It will still be
21 an expense on their side.

22 Q. It's an expense on their side
23 and income to the United States?

24 A. Exactly.

25 Q. Do you receive three separate

1 Louis Zollo

2 checks for rent, depreciation and personnel?

3 A. No. We receive one check and
4 what we do is for the advertising contribution,
5 we bill them quarterly as opposed to the
6 cost-plus, which we bill them monthly.

7 Q. You mentioned 34 percent. Was
8 that also a made-up number?

9 A. No. That's an actual number.
10 They did a study apparently, Italy corporate,
11 that said that basically anything over
12 35 percent -- 34 percent is a key that we feel
13 is that they should pay for, the individual
14 subsidiaries. Anything over that corporate
15 should pick up.

16 Q. But that's not a USA-specific
17 number?

18 A. My understanding is no. I
19 believe they use 34 percent as an average
20 worldwide.

21 Q. I know I'm repeating some of
22 the testimony that Mr. Lerner already asked you
23 about but we have the -- strike that.

24 The luxury line, the Dolce &
25 Gabbana line, is all of that merchandise not

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2 landed?

3 A. Is all that merchandise not
4 landed; that's correct. Dolce & Gabbana USA --
5 I mean Dolce & Gabbana product is shipped
6 directly from Italy to our stores and to the
7 third parties and it's not landed. It comes
8 right from Italy. They generate -- they record
9 the revenue, the receivable, collect the money
10 and so forth and so on.

11 Q. I believe you testified that it
12 is -- is it sold to Dolce -- wait a minute.
13 Strike that.

14 So it's sold by Dolce & Gabbana
15 Industrial directly to the third party like
16 Nordstrom's, Saks, et cetera?

17 A. Right.

18 Q. As well as the boutiques?

19 A. Our own boutiques.

20 Q. Your own boutiques?

21 A. Correct.

22 Q. Then you receive a monthly
23 payment based on the cost-plus agreement?

24 A. That's correct. But, again,
25 that's -- let me just clarify. That has nothing

1 Louis Zollo

2 to do with the Dolce & Gabbana retail stores.
3 That's Dolce & Gabbana wholesale business when
4 they sell to the Neiman's and Saks. There's two
5 different --

6 Q. We have the Neiman's and Saks
7 which are the Dolce & Gabbana wholesale
8 business, right?

9 A. Correct, and small boutiques,
10 not ours, but the smaller boutiques, right.

11 Q. With regard to those sales,
12 those you're calling wholesale sales; correct?

13 A. Correct.

14 Q. And with regard to those
15 wholesale sales, there is a cost-plus agreement
16 whereby Dolce & Gabbana USA receives some
17 payment monthly from Dolce & Gabbana Italy as
18 recompense for marketing to the third parties
19 and small boutiques?

20 A. Correct.

21 Q. Now we have Dolce & Gabbana
22 luxury merchandise sold to the Dolce & Gabbana
23 boutiques. Is that the retail business?

24 A. That's correct, to our
25 boutiques, that's the retail business.

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2 Q. Does that flow through Dolce &
3 Gabbana USA in some fashion, do those sales?

4 A. Yes. What happens is DGI we
5 call it, Dolce & Gabbana Industrial, they will
6 ship directly and bill our stores directly, ship
7 to the stores directly, and then we record it as
8 a purchase and we sell it at our retail stores
9 which means we record that as a retail sale.

10 Q. With regard to those sales, the
11 cost-plus agreement does not apply?

12 A. Exactly, exactly. The
13 advertising agreement applies.

14 Q. The advertising agreement,
15 which is a quarterly payment, applies but the --

16 A. To retail stores.

17 Q. -- cost-plus agreement, which
18 is a monthly payment, does not apply?

19 A. Correct.

20 Q. With regard to the D&G line,
21 those are landed; correct?

22 A. Correct, correct.

23 Q. In the wholesale side of that,
24 I know I'm asking you to repeat yourself, but
25 how does the wholesale side of the D&G line

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2 work?

3 A. There is a company called --
4 there's two companies. We have Dolce & Gabbana
5 USA, Inc., which is wholly owned by Italy, okay,
6 by Dolce & Gabbana S.r.l., I believe. And then
7 there is another company called D&G USA
8 Distribution, LLC, which opened up a couple of
9 years ago. That's wholly owned by Dolce &
10 Gabbana USA, Inc. The purpose of creating that
11 corporation, or the LLC, was to land our D&G
12 business. What happens is we purchase it
13 directly from DGI, they ship it to our
14 third-party warehouse in Secaucus, where we
15 store them there for a couple of weeks or
16 whatever and then we ship it to our third-party
17 retail stores and to our own retail stores.

18 Q. With regard to--and I'm just
19 repeating this back--with regard to the
20 landed -- with regard to the D&G line, that
21 business is considered to be landed, correct?

22 A. Correct.

23 Q. And goods are purchased from
24 Dolce & Gabbana Industrial by Dolce & Gabbana
25 Distribution, LLC; correct?

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2 A. Well, we call it D&G USA
3 Distribution, LLC.

4 Q. I missed the USA, my apologies.

5 A. No, I just wanted to make sure
6 we were talking about the same company.

7 Q. So D&G USA Distribution, LLC --

8 A. Correct.

9 Q. -- D&G USA Distribution, LLC
10 purchases directly from Dolce & Gabbana
11 Industrial in Italy; correct?

12 A. Correct, correct.

13 Q. Those goods are shipped to a
14 warehouse in Secaucus?

15 A. New Jersey. It's not our
16 warehouse, it's a third-party warehouse.

17 Q. Then from that warehouse, the
18 D&G line goods are shipped to third parties as
19 well as the five retail stores --

20 A. Seven.

21 Q. -- seven retail stores that you
22 have in the U.S. as well as the outlet stores;
23 correct?

24 A. No.

25 Q. Not the outlet stores?

1 Louis Zollo

2 A. Sometimes, yes, sometimes. But
3 the majority of the business goes to the third
4 party -- to the retail -- I mean to our own
5 retail seven stores, D&G, but at times, yes, at
6 the end of the season if there is some goods
7 that our outlet stores can use, yes, then we
8 sell it to the outlet stores.

9 Q. Okay. Who pays Dolce & Gabbana
10 Industrial with regard to purchases made by D&G
11 USA Distribution, LLC?

12 A. They do.

13 Q. Who is "they"?

14 A. The company, D&G USA, purchases
15 from DGI and, based on payment terms, we'll
16 issue not a check but a wire to DGI.

17 Q. So then when D&G USA
18 Distribution, LLC ships to third parties like
19 Neiman Marcus and Saks, Neiman Marcus and Saks
20 pay D&G USA Distribution, LLC?

21 A. Correct. As well as our own
22 retail stores pay us as well.

23 Q. When D&G USA Distribution, LLC
24 ships to the D&G retail stores, the retail
25 stores pay D&G USA Distribution, LLC, correct?

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2 A. Correct.

3 Q. Okay. With regard to licensed
4 merchandise, I believe licensed merchandise
5 currently consists of eyewear with Luxottica as
6 the licensor -- licensee, correct?

7 A. Currently, yes.

8 Q. And prior to about 2005, 2006,
9 Marcolin was the licensee for eyewear; correct?

10 A. Correct.

11 Q. And currently Procter & Gamble
12 is the licensee for perfumes?

13 A. Correct.

14 Q. What was the third one?

15 A. Watches.

16 Q. Watches. Who is the licensee?

17 A. Binda, Binda.

18 Q. Let's focus on eyewear since
19 that's part of the subject matter of this
20 proceeding.

21 A. Sure.

22 Q. Marcolin produced eyewear both
23 with -- for the luxury line as well as the D&G
24 line; correct?

25 A. Correct.

1 Louis Zollo

2 Q. Was the method by which sales
3 were made by Marcolin with regard to the luxury
4 line as opposed to the D&G line, were those
5 methods different in any fashion? Strike that.
6 Let me break it up. It will be easier if I do
7 it this way.

8 A. Sure.

9 Q. When you started with the
10 company, which is 2003, Marcolin was the eyewear
11 licensee; correct?

12 A. Correct.

13 Q. When Marcolin produced
14 sunglasses for the luxury line, Dolce & Gabbana
15 luxury line, how did the sales of those
16 sunglasses work with regard to Dolce & Gabbana
17 USA, Inc.? What happened first?

18 A. We purchased -- obviously our
19 retail buyers, if I understand you correctly,
20 our retail buyers would place the order with
21 Marcolin so Marcolin would then ship the goods
22 for the most part directly to our Dolce &
23 Gabbana stores, but sometimes to our small
24 warehouse that we owned in Maspeth, Queens. But
25 either case, it was for that individual store.

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2 When they had room, we would just transfer it
3 there.

4 So when the goods were received
5 at the store, our shipping department would
6 receive them in, meaning they'll make sure --
7 well, they'll scan them into our inventory
8 system, compare it to the invoice and packing
9 slip to make sure whatever we received is what
10 they are going to bill us. If there's
11 discrepancies, they note that, they attach that
12 to the invoice. They send it on to accounts
13 payable.

14 From accounts payable they will
15 send it to the buyer who approve -- who actually
16 placed the order to make sure, oh, for this
17 model it was \$50, does the invoice show \$50.
18 They approve it for process, for payment. It
19 will be sent back to A/P, accounts payable.
20 Accounts payable will then book it or post it
21 into the general ledger system and as long as
22 the units -- the receiving document agrees with
23 what the invoice is going to say to be paid,
24 they'll cut a check for that amount or they'll
25 post it and whatever the payment terms are,

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2 maybe in this case I believe it's 120 days, the
3 computer keeps track of it and then it will give
4 you, you know, and we'll have to pay it.

5 Q. Was eyewear in the Dolce &
6 Gabbana luxury line ever sold by the third
7 parties such as Neiman Marcus or Saks?

8 A. I believe -- I'm 99 percent
9 sure, yes. I mean, there was many channels, the
10 small boutiques as well as department stores,
11 yes.

12 Q. With regard to the sales of
13 Marcolin eyewear by the third parties like a
14 Nordstrom or a Saks, did the -- was the process
15 the same or was it different from what you just
16 described?

17 A. You mean their -- the process
18 of receiving and all that?

19 Q. Let me rephrase that. In
20 answer to my last question, you said that
21 Marcolin would either ship directly to the Dolce
22 & Gabbana boutiques of which I believe there are
23 five currently --

24 A. Dolce & Gabbana, correct.

25 Q. -- or when those boutiques

1 Louis Zollo

2 didn't have space, then it would ship to the
3 warehouse in Maspeth, Queens?

4 A. Correct.

5 Q. What would happen when a
6 Nordstrom wanted to buy Dolce & Gabbana luxury
7 eyewear?

8 MR. LERNER: Objection; lack
9 of foundation.

10 Q. If you know.

11 A. Can I answer?

12 MR. LERNER: Yeah.

13 A. Well, they ship it right to
14 wherever the PO -- to wherever the PO said to
15 ship it to, a centralized processing center,
16 consolidation area, or to the actual store.
17 From that point on I have no idea how they do
18 it, but I would imagine they follow accounting
19 policies and procedures where they would scan it
20 in and all that, but I can't attest to that
21 because I don't know their --

22 Q. If a Nordstrom wanted to
23 purchase Dolce & Gabbana luxury eyewear, it
24 would go directly to Marcolin and would not go
25 to Dolce & Gabbana USA, Inc., is that --

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2 A. Correct. They were the
3 licensee; that's correct.

4 MR. LERNER: Objection; vague
5 as to time frame.

6 But you can answer.

7 Q. In 2003 when you started, was
8 that the case where a third party such as a
9 Nordstrom or a Saks or Bloomingdale's wanted to
10 purchase licensed eyewear from Marcolin from the
11 Dolce & Gabbana luxury line, they would go
12 directly to Marcolin to do that?

13 A. Correct.

14 Q. And Dolce & Gabbana USA, Inc.
15 would have no part of that process; is that
16 right?

17 A. That's correct.

18 Q. Currently with Luxottica as the
19 licensee for eyewear, does Dolce & Gabbana USA,
20 Inc. have any part of the process by which third
21 parties buy Dolce & Gabbana luxury eyewear?

22 A. It's the same process I
23 believe, it's no different than Marcolin.

24 Q. Well, this, I think, you should
25 know. Does Dolce & Gabbana USA, Inc. have

1 Louis Zollo

2 anything to do with the purchases by third
3 parties of licensed eyewear from Luxottica?

4 A. Does Dolce & Gabbana USA have
5 anything to do with the purchase of the eyewear?

6 MR. WILTON: Can you read
7 back the question, please?

8 (The last question was read
9 back by the court reporter.)

10 A. I'm just trying to think about
11 that because now I'm thinking when -- for all
12 the goods that we produce, you know, we have a
13 commercial division. Now I'm thinking does our
14 staff, our commercial staff, get involved with
15 placing the order for the individual account.
16 So I hate -- I don't like to say this, but in
17 the end it goes through Marcolin, but as I'm
18 thinking, maybe it goes through our commercial
19 salesperson and they're the ones who place the
20 Marcolin order. So I would have to say that I'm
21 not 100 percent sure because right away I was
22 thinking that they go to Marcolin, but I'm
23 thinking now, because we have a commercial staff
24 for all the products in our -- that we sell,
25 even though Marcolin, you know, for the

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2 licensees, they might have to go through our
3 salesperson in D&G or Dolce, whatever, and they
4 place the order for them. In the end Marcolin
5 obviously gets in touch. So it's embarrassing,
6 but I don't know 100 percent now.

7 Q. Let me ask it a slightly
8 different way which is probably what I should
9 have asked to begin with.

10 With regard to the eyewear
11 for -- now we're just focusing on Marcolin for
12 right now.

13 A. Okay.

14 Q. With regard to the eyewear sold
15 at the Dolce & Gabbana owned boutiques, Dolce &
16 Gabbana USA pays Marcolin for that eyewear;
17 correct?

18 A. Correct.

19 Q. With regard to the sale of
20 Dolce & Gabbana luxury eyewear by a Nordstrom or
21 another third party, Dolce & Gabbana USA does
22 not pay Marcolin; is that right?

23 A. Correct.

24 Q. While your commercial
25 salespeople may have a role in the sale, it's

1 Louis Zollo

2 not money flowing through Dolce & Gabbana USA?

3 A. 100 percent correct; that's
4 correct.

5 Q. Same is true with Luxottica?

6 A. All of them would be the same
7 way.

8 Q. Okay. Now let's shift to the
9 D&G line.

10 A. Okay.

11 Q. I'm not sure if there is a
12 distinction or not but let me ask the question,
13 anyway.

14 With regard to sales of eyewear
15 manufactured by Marcolin for the D&G line to be
16 sold in D&G owned -- to D&G boutiques, was the
17 process by which those goods came to the United
18 States and payment made to Marcolin the same as
19 with regard to the Dolce & Gabbana luxury line?

20 A. There should be no difference.
21 They get billed directly by the licensee,
22 Marcolin, to the D&G store and it gets shipped
23 directly to the store.

24 Q. Shipped directly to the store?

25 A. And they will pay it like they

1 Louis Zollo

2 do with Dolce.

3 Q. Do the stores actually -- did
4 the stores pay directly to Marcolin or did
5 Dolce & Gabbana USA pay directly to Marcolin?

6 A. It's all under the same
7 umbrella. All the stores are divisions of
8 Dolce & Gabbana USA, Inc. But we do -- in other
9 words, if they purchased 100 units at \$500, they
10 will receive an invoice for that amount and it
11 will be charged on their general ledger.
12 They'll pay it but, again, the name of the
13 check, because we only have two companies,
14 Dolce & Gabbana USA, the check will be Dolce &
15 Gabbana USA, but the division is Madison store
16 or Bal Harbour store and so forth.

17 Q. Those divisions are not
18 separately incorporated corporations?

19 A. Correct, correct. They are
20 just internally -- every store has a general
21 ledger and accounts payable system.

22 Q. So with regard to a pair of
23 sunglasses manufactured by Marcolin for the D&G
24 line, whether it's sold or delivered directly to
25 a D&G boutique store or it goes through Maspeth,

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1 Louis Zollo

2 the monies come from Dolce & Gabbana USA back to
3 Marcolin?

4 A. Correct.

5 Q. Pays for those sunglasses?

6 A. Correct.

7 Q. With regard to sales of D&G
8 line sunglasses manufactured by Marcolin but
9 sold by a Nordstrom or some other third party,
10 the payment for those sunglasses does not flow
11 through Dolce & Gabbana USA; correct?

12 A. Correct. Saks, Neiman's, they
13 pay directly, correct.

14 Q. Okay. Is the process the same
15 currently with Luxottica as the eyewear licensee
16 that we just described?

17 A. Yes. All the licensees we
18 treat the same.

19 Q. How do you know that eyewear
20 was sold under the Dolce & Gabbana luxury line
21 before you arrived at Dolce & Gabbana USA?

22 A. Well, before I came aboard, I
23 asked for a lot of different data, financial
24 statements, workpapers, things like that. I
25 wanted to get a feel on what products they did

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1 Louis Zollo

2 have. If I recall correctly, they had that
3 during that -- I went back, I believe, about
4 three years or so.

5 Q. Let's look at some of these
6 documents that you looked at this morning. I'd
7 like you to have Exhibit 45 in front of you.

8 A. Okay.

9 Q. That's the one that has DG01987
10 at the bottom of the first page.

11 A. Correct.

12 Q. Okay. And if you notice on the
13 first page it says "Quantity Shipped: 147." Do
14 you see that in the middle of the page?

15 A. Correct.

16 Q. I believe your testimony was
17 that only 90 units were actually received at the
18 warehouse; is that right?

19 A. Yes.

20 Q. Do you know what happened to
21 the other 57?

22 A. No, not from looking at here
23 other than I can say that they just
24 short-shipped them.

25 Q. Okay.

1 Louis Zollo

2 A. Which is unusual I have to say.
3 It's very rare that you see this kind of a
4 discrepancy.

5 Q. Of course two of the three
6 documents we have in front of us we see that
7 discrepancy, but we'll get to that in a moment.
8 Do you have any idea how -- strike that.

9 Do you know if Marcolin paid a
10 royalty of some sort to Dolce & Gabbana S.r.l.
11 for the manufacture of eyewear?

12 A. I don't know who they -- I
13 don't know who -- what company they paid, but
14 they would have to pay a fee, sure.

15 Q. Do you know how that fee was
16 calculated?

17 A. I mean, just -- I never saw it
18 or anything but if you're asking me to speculate
19 I can speculate, but --

20 Q. I'm not asking you to
21 speculate. I'm asking you whether you know.

22 A. I know it through, like, when I
23 was out here with Paolo's testimony. That's
24 all.

25 Q. And I believe Paolo said that

1 Louis Zollo

2 the royalty was calculated by the number of
3 units reported by Marcolin times some
4 percentage --

5 A. The list price.

6 Q. -- is that right?

7 A. Well, my understanding is it's
8 basically the list price of those items that
9 were sold by Marcolin, or the licensee, to the
10 ultimate retail store and times a certain
11 percentage which is typical of licensee
12 agreements, in my experience, not here, but at
13 other companies.

14 Q. With regard to the invoice
15 that's we're looking at as DG01897, do you know
16 what quantity was reported by Marcolin to
17 Dolce & Gabbana Italy with regard to the sales?

18 A. No. I mean, I would -- if they
19 give -- if they report to them, it must be the
20 147 but, again, I don't know, it's just
21 speculation.

22 Q. Why do you say 147?

23 A. Well, that's how much they're
24 saying here, quantity shipped.

25 Q. Okay. You're just assuming

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1 Louis Zollo

2 that would be the amount they would be reporting
3 because that's what they have reflected as
4 quantity shipped; is that right?

5 A. Yes. But although I have to
6 tell you any time we have differences with
7 Marcolin, we usually let Italy know about that.
8 Whether they actually took that into account, I
9 don't know.

10 Q. Why would you let Italy know
11 about that?

12 A. Because this is -- it's based
13 on a licensing agreement. So if they are
14 telling us that they shipped us 147 versus 90,
15 that affects the licensing. Whether they do
16 anything about it, that I can't attest to.
17 Again, I have to tell you I can't -- based on my
18 current knowledge, we never have differences
19 like this. I don't know why there is such a big
20 difference here.

21 Q. I would like you to look at the
22 last page of this document, 1901, marked
23 DG01901.

24 A. Okay.

25 Q. Do you see where it says

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1 Louis Zollo

2 "Invoice Number" towards the top of the page?
3 Underneath "PO Number," "Arrival Date" and
4 "Costing Method"?

5 A. "Madison Avenue"? I see
6 "Invoice Number: Madison Avenue"?

7 Q. Yes.

8 A. Okay.

9 Q. Do you know how that field is
10 filled in in Retail Pro?

11 A. No. I mean, it should be. Why
12 it would be Madison Avenue there, they should
13 put the invoice number of the Marcolin invoice.
14 So that's kind of strange why they would put
15 Madison Avenue.

16 Q. Do you know -- when it says
17 "Costing Method," do you see that right above
18 there, "Costing Method" towards the top left of
19 the page?

20 A. Yes.

21 Q. It says "Overwrite." Do you
22 see that?

23 A. Yes, I do.

24 Q. Do you have any idea what that
25 means?

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1 Louis Zollo

2 A. No.

3 Q. This document was created
4 before you started with the company; correct?

5 A. That's correct.

6 Q. And were you responsible for
7 pulling this document from archives?

8 A. Yes.

9 Q. Did you pull this document from
10 archives?

11 A. Me personally?

12 Q. You personally.

13 A. No. It was my accounts payable
14 manager, which is normal.

15 Q. You delegate something like
16 that, correct?

17 A. Yes, because they know where
18 their invoices are, whether it's on hand or
19 outside storage, you know.

20 Q. On the second page there is a
21 notation, like a little handwritten bracket. I
22 believe it says "DG Bal Harbour." Do you see
23 that?

24 A. Yes.

25 Q. The second page, by that I

1 Louis Zollo

2 mean --

3 A. 1898?

4 Q. 1898, correct.

5 A. Yeah.

6 Q. Do you know what that

7 indicates?

8 A. I mean, I guess it's saying
9 maybe these belong to DG Bal Harbour. Because
10 on the second page you see that, too. I don't
11 know the story behind that, no.

12 Q. Currently if you have a --

13 A. Can I say one thing?

14 Q. I'll let you.

15 A. Maybe -- maybe that's part of
16 the reason why there is a difference. It says
17 147/90. Maybe some of the items -- I don't
18 know, I don't know.

19 Q. Okay. That's fine.

20 Currently when you have
21 shipments or orders from a Dolce & Gabbana
22 boutique to the Luxottica licensee, do those --
23 are the orders separated by boutiques or one
24 boutique orders and it has one invoice and --

25 A. Yes.

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2 Q. -- it goes through the process
3 that way?

4 A. Normally, yes, yes.

5 Q. I would like you to look at
6 Exhibit 46 for a moment.

7 A. Okay.

8 Q. I believe you said that the
9 store filled this out, the first page of this
10 document out; is that right?

11 A. They should, yes. This is a
12 receiving document from the Retail Pro.

13 Q. The printout from Retail Pro,
14 correct?

15 A. Correct.

16 Q. And the data that appears on
17 this document is data reflecting what was
18 received by the Madison Avenue boutique; is that
19 correct?

20 A. That's correct.

21 Q. So the Madison Avenue boutique
22 has the capability to scan incoming shipments;
23 is that right?

24 A. That's correct.

25 Q. As do all of the other

1 Louis Zollo

2 boutiques; correct?

3 A. Correct.

4 Q. And that information -- how is
5 that information currently transmitted from the
6 boutiques to Dolce & Gabbana USA?

7 A. I mean, it's the same system.
8 In other words, each store -- right now we have
9 a system that's called Start System. It's a POS
10 system, inventory system. Each store has a
11 terminal in the shipping department that
12 basically that's where they do all the scanning.
13 It's in line with -- every store has the same
14 system. It's just one server in corporate but
15 each store has a computer peripheral to record
16 all the inventory. So it's basically online, so
17 real time, actually.

18 Q. When the store Madison Avenue
19 receives a shipment of sunglasses from Luxottica
20 or eyewear from Luxottica, the first thing it
21 will do is scan that into the Start System; is
22 that right?

23 A. Yes.

24 Q. And that information will be
25 resident on the server which I'm guessing is

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1 Louis Zollo

2 probably located at Dolce & Gabbana USA?

3 A. Yes, it's at our corporate
4 office, right.

5 Q. Do you know how the inventory
6 control system worked in 1999?

7 A. As far as I could tell, I mean,
8 it would be similar except that I see -- like
9 I'm looking at this invoice. The only
10 difference between if you looked at one of the
11 invoices today, there will be a stamp on it
12 which basically I created in 2003 to make it
13 more formalized. You would see the general
14 ledger code number, the date it was entered, who
15 approved it, when did the accounts payable --
16 the accounts payable signature. So here I can
17 see it wasn't as formal, but the process seems
18 to be the same, meaning that there is a
19 receiving document attached to the invoice which
20 tells me that they only pay based on what was
21 uploaded in the inventory or received.

22 Q. With regard to this document,
23 do you see a -- strike that, never mind.

24 Do you know who made the
25 handwritten notations on the first page of

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1 Louis Zollo

2 Exhibit 46?

3 A. The minus 6?

4 Q. The minus 6, the 58, the dollar
5 figure.

6 A. It's strange. To me it looks
7 like they crossed out -- you see the second
8 line?

9 Q. Yes.

10 A. You can hardly see it, but it
11 looks like they're saying they didn't receive
12 that. What is strange here is that the updated
13 receiving has not been attached because if they
14 just did this, it would still reflect in the
15 system 64.

16 (An off-the-record
17 discussion took place.)

18 (A recess was taken.)

19 BY MR. WILTON:

20 Q. My understanding from your
21 prior testimony is that these receiving
22 documents are created by scanning the inventory
23 that is received; is that correct?

24 A. That's correct.

25 Q. Do you know why there would be

1 Louis Zollo

2 a discrepancy on Exhibit 46, the first page, if,
3 in fact, it was created by scanning inventory
4 that was received?

5 A. No.

6 Q. With regard to inventory that's
7 reflected on Exhibit 46, this reflects eyewear;
8 is that correct?

9 A. That's correct.

10 Q. Do you know what this eyewear
11 looks like?

12 A. I know what the eyewear looks
13 like, but I couldn't match it. I don't know the
14 model number, oh, that's the model number, DG,
15 no. But I'm familiar with the various glasses
16 of Dolce & Gabbana, but I could never match that
17 up, no.

18 Q. So if I asked you to please
19 describe the eyewear designated as DG320S, as in
20 Sam, you couldn't do that, could you?

21 A. No.

22 Q. Do you know if any of the
23 eyewear reflected on Exhibit 46 was returned to
24 Marcolin?

25 A. No.

1 Louis Zollo

2 Q. Do you know whether eyewear
3 reflected on Exhibit 46 was ever sold to a
4 retail customer?

5 A. No.

6 Q. Do you know whether the eyewear
7 reflected on Exhibit 45 was ever sold to a
8 retail customer?

9 A. No.

10 Q. Do you know whether any of the
11 eyewear reflected on Exhibit 45 was ever
12 returned to Marcolin?

13 A. No.

14 Q. Turning to Exhibit 47, do you
15 know whether any of the eyewear reflected on
16 Exhibit 47 was ever sold to a retail customer?

17 A. No.

18 Q. Do you know whether any of the
19 eyewear reflected on Exhibit 47 was ever
20 returned to Marcolin?

21 A. No.

22 MR. WILTON: That's all I
23 have, Mr. Lerner, your witness.

24 MR. LERNER: Thanks.

25

Louis Zollo

1

2

BY MR. LERNER:

3

Q. Just going back to Exhibit 47

4

you were just looking at, Mr. Wilton asked you

5

if you know whether any of these glasses were

6

ever sold to a retail customer. I think you

7

previously testified about the retail buyers and

8

how they were compensated.

9

A. Yes.

10

Q. Can you tell me how the impact

11

would be on the retail buyer's compensation if

12

the glasses represented in the receiving

13

document in Exhibit 47 was never sold to a

14

retail buyer?

15

A. Well, the buyers, their

16

performance, particularly the bonuses are based

17

on the sell-through, the sales, level of sales,

18

and the gross margin. They would not be

19

purchasing items that do not sell. And if they

20

did, they won't purchase them anymore. So I

21

think it's to their -- their interest to make

22

sure the buy they make is something that's going

23

to sell at a reasonable high sell-through as

24

well as the gross margin and sales because

25

that's what their performance is based on via

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1 Louis Zollo
2 bonuses or even a raise or just in general doing
3 your job.

4 Q. Is that also true for
5 Exhibit 46, that if the glasses represented in
6 the receiving document here didn't sell, that
7 would impact that buyer's compensation?

8 A. Absolutely.

9 Q. The same is true for
10 Exhibit 45?

11 A. Exactly.

12 MR. LERNER: Ken?

13 MR. WILTON: I have nothing
14 further for this witness.

15 MR. LERNER: Okay.

16 (Time noted: 2:42 p.m.)

17

18

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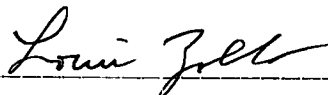
25

1 Louis Zollo

2 ACKNOWLEDGMENT

3 STATE OF NEW YORK)
 4 COUNTY OF NEW YORK) ss.

5 I, LOUIS ZOLLO, hereby
 6 certify that I have read the
 7 transcript of my testimony taken
 8 under oath in my deposition of
 9 November 16, 2009, that the
 10 transcript is a true, complete and
 11 correct record of my testimony, and
 12 that the answers on the record as
 13 given by me are true and correct.

14 
 15 _____

16 LOUIS ZOLLO

17
 18 Subscribed and sworn to before me

19 this 8th day of DEC, 2009.

20  _____, Notary Public

21
 22 **HARI K. SAMAROO**
 23 Notary Public, State of New York
 24 No. 30-4905028
 25 Qualified in Nassau County
 Co State Filed in New York County
 Commission Expires Nov 9, 2013

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DEPOSITION DATE: _____

WITNESS NAME: _____

[illegible]

1 Louis Zollo

2 CERTIFICATE

3 STATE OF NEW YORK)
4 COUNTY OF NEW YORK) ss.

5 I, NICOLE CANNISTRACI, a
6 Shorthand Reporter and Notary Public
7 within and for the State of
8 New York, do hereby certify:

9 That I reported the
10 proceedings in the within entitled
11 matter, and that the within
12 transcript is a true record of such
13 proceedings.

14 I further certify that I am
15 not related to any of the parties to
16 this action by blood or marriage,
17 and that I am in no way interested
18 in the outcome of this matter.

19 IN WITNESS WHEREOF, I have
20 hereunto set my hand this 22nd day
21 of November, 2009.

22 Nicole Cannistraci

23 NICOLE CANNISTRACI
24
25

1	Louis Zollo		
2	I N D E X		
3	WITNESS	EXAMINATION BY	PAGE
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6		Mr. Wilton	52
7		Mr. Lerner	97
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9			FOR
10	PETITIONER'S		IDENT
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12		9/14/99 and shipping	
13		document, Bates Nos.	
14		DG01897-01901	
15	46	Marcolin invoice dated	41
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19	47	Marcolin invoice dated	46
20		5/13/99 and shipping	
21		document, Bates Nos.	
22		DG01895-01896	
23			
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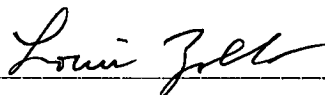
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1 Louis Zollo

2 ACKNOWLEDGMENT


3 STATE OF NEW YORK)
 4 COUNTY OF NEW YORK) ss.

5 I, LOUIS ZOLLO, hereby
 6 certify that I have read the
 7 transcript of my testimony taken
 8 under oath in my deposition of
 9 November 16, 2009, that the
 10 transcript is a true, complete and
 11 correct record of my testimony, and
 12 that the answers on the record as
 13 given by me are true and correct.

14 
 15 _____

16 LOUIS ZOLLO

17
 18 Subscribed and sworn to before me
 19 this 8th day of DEC, 2009.

20  _____, Notary Public

21
 22 HARI K. SAMAROO
 Notary Public, State of New York
 No. 30-4905028
 23 Qualified in Nassau County
 24 Commission Expires Nov. 9, 2013

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Witness Signature: _____

Subscribed and sworn to me before this ____ day of _____, 200.

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\$100 54:23 55:10	2006 17:17 73:8	<u>7</u>		
63:6,8	2009 1:10 52:15	715 34:11		
\$34 63:9	99:9,19 100:21	<u>8</u>		
\$50 75:17,17	2029 2:8	825 29:14 37:15		
\$500 82:9	22nd 100:20	42:18 44:4		
<u>0</u>	2295931 48:17	<u>9</u>		
03 12:16	230 2:4	9/14/99 28:9 101:11		
	28 101:10	90 31:6,11,14 37:20		
<u>1</u>	<u>3</u>	37:22 84:17 87:14		
1 34:2	30 24:20 58:24	90067-3021 2:8		
10 38:16,18	308S 34:18	92047433 1:5		
100 18:2 58:23	34 47:19,20 48:8,8	97 101:6		
59:20 60:5 79:21	63:9,10,13 66:7	98 19:12 51:13		
80:6 81:3 82:9	66:12,19	99 19:13 51:13 76:8		
10169 2:4	35 66:12			
105 33:16	3500 2:8			
111 34:9 38:21	<u>4</u>			
12:02 1:10	4 35:13 36:20,22			
120 24:20 39:23	37:18,24 56:14			
76:2	101:5			
120-day 25:3	40 63:13			
147 31:5,8,10,15	41 101:13			
37:21 84:13 86:20	45 28:6,6,7,11,14			
86:22 87:14	39:4 43:5,11 46:3			
147/90 90:17	84:7 96:7,11			
148 57:9	98:10 101:10			
16 1:10 99:9	46 41:6,9,18 43:21			
18 60:13	45:22 91:6 94:2			
18th 47:10	95:2,7,23 96:3			
182 35:25 36:14,17	98:5 101:13,15			
36:19 37:18 38:3	47 46:9,12 50:3			
38:11,12,21	96:14,16,19 97:3			
1893 41:20	97:13 101:15			
1894 41:11	<u>5</u>			
1897 28:20,24 31:9	5 64:5			
1898 90:3,4	5/13/1999 48:20			
1899 32:23 34:6	5/13/99 41:4 46:7			
36:22	101:13,16			
1900 38:8	5/25/99 47:13			
1901 28:20,24 29:24	50/19 38:16			
31:13,18 38:25	52 101:5			
39:2 40:3 87:22	530S 38:20			
1999 19:11,12 39:21	56th 43:17			
47:10 93:6	56-31 43:17			
<u>2</u>				



Marcolin USA, Inc.
200 Forge Way
Rockaway, NJ 07866.2021
973.625.7273 888.MARCOLIN (627.2654)
FAX 888.627.2671

Posted: Oct '99

F/W '99-'00

Order # 1327175 DATE: 09/14/99
Invoice 2432005
CUSTOMER: 91264 SHIP-TO: 1
ID: BELKYS7 ET: 141533 PAGE 4 OF

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DOLCE & GABANA BOUTIQUE
56 31 56TH DRIVE
MASPETH NY 11378

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DOLCE & GABBANA BOUTIQUE--DOLCE
825 MADISON AVE
NEW YORK NY 10021

Payment Terms. . . 120 Days

Terms 2% - 10 days Net 30 days.
All claims must be made within 5 days of receipt of goods.
Admission Terms and Conditions on Invoices & on

ORDER DATE	ORDER TYPE	PURCHASE ORDER	SHIPMENT METHOD	SALES REPRESENTATIVE
09/13/99	SO ORDER		AS-STANDARD	MICHELLE TIGANILA

W/L	QTY	DESCRIPTION	SIZE	CODE	UNIT PRICE	TOTAL
-----	-----	-------------	------	------	------------	-------

90 units DGUSA

1200 = 1200.00

Qty.Ord. 185 Qty Shipped. 147
Billed Through. . . DOLCE & GABBANA BOUTIQUE--DOLCE

Sales Tax
Post/Ins
Total Order

marcolin®

Marcolin USA, Inc.
200 Forge Way
Rockaway, NJ 07866.2021
973.625.7273 888.MARCOLIN (627.2654)
FAX 888.627.2671

Order # 1327175 DATE: 09/14/99
Invoice 2432005
CUSTOMER: 91264 SHIP TO: 1
ID: BELKYS7 ET: 141533 PAGE 3 OF

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DOLCE & GABANA BOUTIQUE
56 31 56TH DRIVE
MASPETH NY 11378

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DOLCE & GABBANA BOUTIQUE--DOLCE
825 MADISON AVE
NEW YORK NY 10021

Payment Terms. . . 120 Days

Terms 2% - 10 days Net 30 days.
All claims must be made within 5 days of receipt of goods.
Additional Terms and Conditions on Request Only.

ORDER DATE	ORDER TYPE	PURCHASE ORDER	SHIPMENT METHOD	SALES REPRESENTATIVE
09/13/99	SO ORDER		AS-STANDARD	MICHELLE TIGANILA

W/L	QTY	DESCRIPTION	SIZE	CODE	UNIT PRICE	TOTAL
14421		DG302S BLACK/PALLADIUM (715)	52/20	5503.5220.715		
	B 4	Back Order				
14423		DG302S PALLADIUM (753)	52/20	5503.5220.753		
	B 4	Back Order				
14422	(4)	DG302S ANTHRACITE/PALL (731)--	52/20	5503.5220.731		
00000	(4)	DG117S SATIN BLACK(BR)-	51/19	5568.5119.BR		
00000	(4)	DG117S GUNMETAL(188)-	51/19	5568.5119.188		
00000	(4)	DG308S RUTHENIUM(065)-	50/21	5564.5021.065		
00000	(4)	DG308S SATIN ROSE GOLD(058)-	50/21	5564.5021.058		
00000	(4)	DG308S SATIN BLACK(BR)-	50/21	5564.5021.BR		
00000	(4)	DG106S SATIN BLACK(BR)-	49/20	5563.4920.BR		
00000		DG106S RUTHENIUM(065)	49/20	5563.4920.065		
	B 4	Back Order				
00000		DG106S EGGPLANT(445)	49/20	5563.4920.445		
	B 3	Back Order				
00000	(1)	DG106S EGGPLANT(445)	49/20	5563.4920.445		

DG BAL KHA BOW



Marcolin USA, Inc.
200 Forge Way
Rockaway, NJ 07866.2021
973.625.7273 888.MARCOLIN (627.2654)
FAX 888.627.2671

Order # 1327175 DATE: 09/14/99
Invoice 2432005
CUSTOMER: 91264 SHIP TO: 1
ID: BELKYS7 ET: 141533 PAGE 2 OF

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DOLCE & GABANA BOUTIQUE
56 31 56TH DRIVE
MASPETH NY 11378

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DOLCE & GABBANA BOUTIQUE--DOLCE
825 MADISON AVE
NEW YORK NY 10021

Payment Terms. . . 120 Days

Terms 2% - 10 days Net 30 days.
All claims must be made within 5 days of receipt of goods.
Additional Terms and Conditions on Reverse Side

ORDER DATE	ORDER TYPE	PURCHASE ORDER	SHIPMENT METHOD	SALES REPRESENTATIVE
09/13/99	SO ORDER		AS-STANDARD	MICHELLE TIGANILA

W/L	QTY	DESCRIPTION	SIZE	CODE	UNIT PRICE	TOTAL
00000	(6)	DG308S SATIN BLACK(BR)•	50/21	5564.5021.BR		
00000	(6)	DG106S SATIN BLACK(BR)•	49/20	5563.4920.BR		
00000		DG106S RUTHENIUM(065)	49/20	5563.4920.065		
	B 6	Back Order				
00000	(6)	DG106S EGGPLANT(445)•	49/20	5563.4920.445		
14421		DG302S BLACK/PALLADIUM (715)	52/20	5503.5220.715		
	B 1	Back Order				
00000	(4)	DG530S DARK HAVANA(182)-	50/19	5581.5019.182		
00000	(4)	DG530S PEARLED GREY/BLACK(111)-	50/19	5581.5019.111		
00000	(4)	DG529S PEARLED GREY/BLACK(111)-	54/17	5580.5417.111		
00000	(4)	DG529S PEARLED BRWN/BLACK(110)-	54/17	5580.5417.110		
00000	(4)	DG333S SATIN RUTHENIUM(065)-	53/19	5570.5319.065		
00000	(4)	DG333S SHINY PALLADIUM(753)-	53/19	5570.5319.753		
00000	(4)	DG333S SATIN BLACK(BR)-	53/19	5570.5319.BR		
00000		DG522S DARK HAVANA(469)•	48/20	5566.4820.469		
	B 4	Back Order				

DG
BAL HAVANA



Marcolin USA, Inc.
200 Forge Way
Rockaway, NJ 07866.2021
973.625.7273 888.MARCOLIN (627.2654)
FAX 888.627.2671

Order # 1327175
Invoice 2432005
CUSTOMER: 91264
DATE: 09/14/99
SHIP TO: 1
ID: BELKYS7 ET: 141533 PAGE 1 OF

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56 31 56TH DRIVE
MASPETH NY 11378

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DOLCE & GABBANA BOUTIQUE--DOLCE
825 MADISON AVE
NEW YORK NY 10021

Payment Terms . . . 120 Days

Terms 2% - 10 days Net 30 days.
All claims must be made within 5 days of receipt of goods.
Additional Terms and Conditions on Reverse Side.

ORDER DATE	ORDER TYPE	PURCHASE ORDER	SHIPMENT METHOD	SALES REPRESENTATIVE
09/13/99	SO ORDER		AS-STANDARD	MICHELLE TIGANILA

W/L	QTY	DESCRIPTION	SIZE	CODE	UNIT PRICE	TOTAL
00000	(6)	DG530S DARK HAVANA (182) *	50/19	5581.5019.182		
00000	(6)	DG530S PEARLED GREY/BLACK (111) *	50/19	5581.5019.111		
00000	(6)	DG529S PEARLED GREY/BLACK (111) *	54/17	5580.5417.111		
00000	(6)	DG529S PEARLED BROWN/BLACK (110) *	54/17	5580.5417.110		
00000	(6)	DG333S SATIN RUTHENIUM (065) *	53/19	5570.5319.065		
00000	(6)	DG333S SHINY PALLADIUM (753) *	53/19	5570.5319.753		
00000	(6)	DG333S SATIN BLACK (BR) *	53/19	5570.5319.BR		
14421		DG302S BLACK/PALLADIUM (715)	52/20	5503.5220.715		
	B 6	Back Order				
14423		DG302S PALLADIUM (753)	52/20	5503.5220.753		
	B 6	Back Order				
14422	(6)	DG302S ANTHRACITE/FALL (731) *	52/20	5503.5220.731		
00000	(6)	DG117S SATIN BLACK (BR) *	51/19	5568.5119.BR		
00000	(6)	DG117S GUNMETAL (188) *	51/19	5568.5119.188		
00000	(6)	DG308S RUTHENIUM (065) *	50/21	5564.5021.065		
00000	(6)	DG308S SATIN ROSE GOLD (058) *	50/21	5564.5021.058		

DG USA, INC. WAREHOUSE

56-31 56TH DRIVE
MASPETH, NY 11378 (718) 326-2478

PO #: 002A539
Arrival Date: 10/07/99
Costing Method: OVERWRITE

VOUCHER #: 01031
9:59a Date: 10/07/99
Store: 020A
Clerk: KEVIN H.

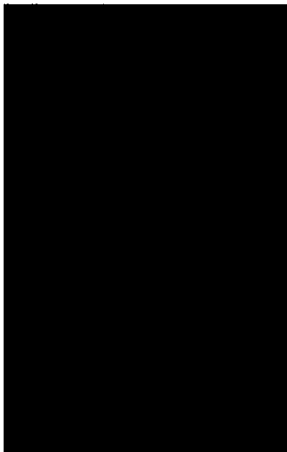
Invoice #: madison ave.

Shipping Address

Billing Address

MARCOLIN

MARCOLIN

Item#	DCS	VC	Desc 1	Attr	Size	Qty	Vou_C\$	Ext_C\$
053261	EZ9	MAR	DG/117/S	BR	O/S	6		
053263	EZ9	MAR	DG/308/S	BR	O/S	6		
053264	EZ9	MAR	DG/308/S	055	O/S	6		
053536	EZ9	MAR	DG/530/S	182	O/S	6		
053537	EZ9	MAR	DG/530/S	111	O/S	6		
053538	EZ9	MAR	DG/529/S	111	O/S	6		
053539	EZ9	MAR	DG/529/S	110	O/S	6		
053540	EZ9	MAR	DG/333/S	055	O/S	6		
053541	EZ9	MAR	DG/333/S	753	O/S	6		
053542	EZ9	MAR	DG/333/S	BR	O/S	6		
053544	EZ9	MAR	DG/302/S	731	O/S	6		
053546	EZ9	MAR	DG/117/S	188	O/S	6		
053547	EZ9	MAR	DG/308/S	056	O/S	6		
053548	EZ9	MAR	DG/106/S	BR	O/S	6		
053550	EZ9	MAR	DG/106/S	445	O/S	6		
						90		

Comments:

%/Days:

0 Days
0 Days
0 Days

Subtotal:

Freight:

0.000 % Tax:

TOTAL:

0.000 % Tax Excluded:

08/03/99 TUE 17:18 FAX 212 249 7801

DG USA INC

--- DOLCE ACCOUNTING 0004

COPY

4:31p 08/03/99
Page 1

DG USA, INC.

825 MADISON AVENUE
NEW YORK, NY 10021 (212) 249-4100

PO #:

Arrival Date: 05/27/99

Costing Method: OVERWRITE

VOUCHER #: 00005

10:52a Date: 05/27/99

Store: 002A

Clerk: EDDIE V.

Shipping Address

Billing Address

MARCOLIN

MARCOLIN

Item#	DCS	VC	Desc 1	Attr	Size	Qty	Vou_CS	Ext_CS
030919	BZ9	MAR	DG/320/S	753	O/S	4		
053261	EZ9	MAR	DG/117/S	BR	O/S	6		
053263	EZ9	MAR	DG/308/S	BR	O/S	6		
053264	EZ9	MAR	DG/308/S	065	O/S	4		
053265	EZ9	MAR	DG/715/S	B5	O/S	6		
053266	EZ9	MAR	DG/715/S	469	O/S	4		
053267	EZ9	MAR	DG/522/S	B5	O/S	6		
053268	EZ9	MAR	DG/522/S	261	O/S	6		
053269	EZ9	MAR	DG/529/S	B5	O/S	6		
053270	EZ9	MAR	DG/529/S	501	O/S	4		
053271	EZ9	MAR	DG/530/S	B5	O/S	6		
053272	EZ9	MAR	DG/304/S	715	O/S	6		

64

- 6
58

Comments:

*/Days:

0 Days
0 Days
0 Days

Subtotal:

Freight:

0.000 % Tax:

TOTAL:

0.000 % Tax Excluded:

5347

5488



Marcolin USA, Inc.
200 Forge Way
Rockaway, NJ 07866.2021
973.625.7273 • 888.MARCOLIN (627.2654)
Fax 888.627.2671

DOUBLED MAY 19 99

Order # 9543510 DATE: 05/13/99
Invoice 2296646 0
CUSTOMER: 91264 SHIP TO:

ID: BELKYS ET: 103911 PAGE 1 OF

DOLCE & GABBANA BOUTIQUE--DOLCE
825 MADISON AVE
NEW YORK NY 10021

DOLCE & GABBANA BOUTIQUE--DOLCE
825 MADISON AVE
NEW YORK NY 10021

SOLD TO

Terms 2% - 10 days Net 30 day
All claims must be made within 5 days of receipt of goods
Additional Terms and Conditions on Reverse Side

Payment Terms: 120 Days

ORDER DATE	ORDER TYPE	PURCHASE ORDER	SHIPMENT METHOD	SALES REPRESENTATIVE
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03/99

Stock Order

AS

MICHELLE TIGANILA

QTY	DESCRIPTION	SIZE	CODE	UNIT PRICE	TOTAL
6	DE117S SATIN BLACK(BR)	51/19	5568 5119 BR		
6	DE117S SHINY PALLADIUM(753)	51/19	5568 5119 753		
6	DE308S SATIN BLACK(BR)	50/21	5564 5021 BR		
6	DE308S RUTHENIUM(065)	50/21	5564 5021 065		
6	DE320S SATIN GUNMETAL(065)	53/20	5547 5320 065		
6	DE320S SHINY PALLADIUM(753)	53/20	5547 5320 753		
6	DE321S SATIN GUNMETAL(065)	54/20	5548 5420 065		
6	DE715S BLACK(B5)	48/19	5577 4819 B5		
6	DE715S DARK HAVANA(469)	48/19	5577 4819 469		
6	DE522S BLACK(B5)	48/20	5566 4820 B5		
6	DE522S PEACH(261)	48/20	5566 4820 261		
6	DE522S BLACK(B5)	54/17	5580 5417 B5		
6	DE522S BLACK/PEARL/HAVANA(501)	54/17	5580 5417 501		
6	DE530S BLACK(B5)	50/19	5581 5019 B5		
6	DE519S TRANSP BLACK SMOKE(264)	49/19	5555 4919 264		
6	DE321S SATIN GUNMETAL(065)	54/20	5548 5420 065		
6	DE304S BLACK/PALLADIUM(715)	51/20	5505 5120 715		

Ord. 93 Qty Shipped. 58
DOLCE & GABBANA BOUTIQUE--DOLCE

Sales Tax
Post/Ins

Total Order

EXHIBIT 46

CONFIDENTIAL

5000-20 = 36.70
1200-00 = 5488-

DG01894

5524.70

05/25/99 TUE 10:59 FAX 212 249 7801

DG USA INC

→ DOLCE ACCOUNTING 002

COPI

10:49a 05/25/99
Page 1

DG BAL HARBOUR, INC.

9700 COLLINS AVENUE
BAL HARBOUR, FL 33154 (305) 866-0503

PO #:
Arrival Date: 05/18/99
Costing Method: OVERWRITE

VOUCHER #: 00011
5:15p Date: 05/18/99
Store: 003A
Clerk: ANA G.

Invoice #: 2295931 05/13/99

Shipping Address

MARCOLIN

Billing Address

MARCOLIN

Item#	DCS	VC	Desc 1	Alt#	Size	Qty	Vou_C\$	Ext_C\$
030918	BZ9	MAR	DG/330/S	753	O/S	4		
053263	EZ9	MAR	DG/308/S	BR	O/S	4		
053264	BZ9	MAR	DG/308/S	065	O/S	2		
053265	EZ9	MAR	DG/715/S	B5	O/S	4		
053266	EZ9	MAR	DG/715/S	469	O/S	2		
053267	BZ9	MAR	DG/522/S	B5	O/S	4		
053268	BZ9	MAR	DG/522/S	261	O/S	2		
053269	EZ9	MAR	DG/529/S	B5	O/S	4		
053271	BZ9	MAR	DG/530/S	B5	O/S	4		
053272	BZ9	MAR	DG/304/S	715	O/S	4		
							36	

Comments:

%/Days:

0 Days
0 Days
0 Days

Subtotal:

Freight:

0.000 % Tax:

TOTAL:

0.000 % Tax Excluded:

urcolin®

Order #	9543508	DATE:	05/13/99
Invoice	2295931		0
CUSTOMER:	92108	SHIP TO:	

ID:BELKYS ET:082435 PAGE OF

DOLCE & GABBANA BOUTIQUE-DOLCE
BAL HARBOUR SHOPS
9700 COLLINS AVE
BAL HARBOUR FL 33154

Terms 2% - 10 days Net 30 days
All claims must be made within 5 days of receipt of goods.
Additional Terms and Conditions on Reverse Side

at Terms. . . 120 Days

DATE	ORDER TYPE	PURCHASE ORDER	SHIPMENT METHOD	SALES REPRESENTATIVE
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199 Stock Order

12

MICHELLE TIGANILA

QTY	DESCRIPTION	SIZE	CODE	UNIT PRICE	TOTAL
2	DE1725 SATIN BLACK (CR)	51/19	5568	5119.00	
2	Back Order				
2	DE1725 SHINY PALLADIUM (753)	51/19	5568	5119.753	
2	Back Order				
4	DE1705 SATIN BLACK (CR)	50/21	5564	5021.00	
4	DE1705 AUTHENTIC (CR)	50/21	5564	5021.065	
4	DE1705 SATIN BURN-TA (CR)	53/20	5547	5320.065	
4	Back Order				
4	DE1705 SHINY PALLADIUM (753)	53/20	5547	5320.753	
4	DE1715 SATIN BURN-TA (CR)	54/20	5548	5420.065	
4	Back Order				
4	DE1755 BLACK (CR)	48/19	5577	4819.05	
4	DE1755 DARK HAWAII (469)	48/19	5577	4819.469	
4	DE5725 BLACK (CR)	48/20	5566	4820.05	
4	DE5725 HAWAII (753)	48/20	5566	4820.261	
4	DE5725 BLACK (CR)	54/17	5580	5417.05	
4	DE5905 BLACK (CR)	50/19	5581	5019.05	
4	DE5195 TRANS BLACK SMOKE (264)	49/19	5555	4919.264	
4	Back Order				
4	DE6045 BLACK/PALLADIUM (715)	51/20	5505	5120.715	

POSTED
1200-00

Sales Tax
Post/Ins

1. 50 Qty Shipped. 34 /
Through. . . DOLCE & GABANA BOUTIQUE-DOLCE

Total Order

05-17-99

34 pieces

CONFIDENTIAL

DG01896

EXHIBIT 47